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APPENDIX A

UNITED STATES COURT OF APPEALS
For the Ninth Circuit

THE PLASTIC CONTACT LENS COMPANY, a corp.,
Appellant,

vs. No. 20,212

GEORGE H. BUTTERFIELD, SR.,
Appellee.

APPEAL from the United States District Court for the.....District of Oregon.

THIS CAUSE came on to be heard on the Transcript of the Record from the United States District Court for the.....District of Oregon and was duly submitted.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court, that the..... judgment of the said District Court in this Cause be, and hereby is reversed and that this cause be and hereby is remanded to the said District Court with directions.

Filed and entered August 31, 1966.

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APPENDIX B

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

GEORGE H. BUTTERFIELD, SR.,	)	
Plaintiff,	)	CIVIL No. 63-294
vs.	)	
THE PLASTIC CONTACT LENS COMPANY, a corporation,	)	JUDGMENT
Defendant.	)	

This action came on for trial on June 22, 1964, the Plaintiff appearing through R. R. Bullivant and Douglas G. Houser, his attorneys, and the Defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. After the production of evidence upon behalf of both Plaintiff and Defendant, and at the conclusion of the trial, the Court directed each party to submit proposed Findings of Fact and Conclusions of Law. After exhaustive study and analysis of the record, including the Findings of Fact and Conclusions of Law proposed by Plaintiff and Defendant, the Court made and entered detailed Findings of Fact and Conclusions of Law dated March 1, 1965, in favor of the Plaintiff and against the Defendant.

By these Findings of Fact and Conclusions of Law, the Court has finally disposed of all claims for relief and counterclaims involved herein as set forth either in the pleadings or the pre-trial order except that the

Court has reserved the holding of an accounting to fix the amount of Plaintiff's damages growing from the conduct of Defendant found to have been wrongs committed by Defendant against the Plaintiff, which conduct is also the subject of the permanent injunction hereafter set forth. The Court hereby expressly determines, within the meaning of Rule 54 of the Federal Rules of Civil Procedure, that there is no just reason for delay in entering final judgment on all of such matters now determined by the Court, and the Court hereby expressly directs the entry of final judgment on all of the matters herein set forth save only the amount of Plaintiff's damages to be determined in an accounting as in the Findings and Conclusions and hereinafter set forth.

The Findings of Fact and Conclusions of Law heretofore entered among other things set forth that an interlocutory decree should be entered permanently enjoining and restraining the Defendant in the particulars hereafter set forth. Now, therefore, it is hereby

CONSIDERED, ORDERED, ADJUDGED AND DECREED that Defendant, The Plastic Contact Lens Company, a corporation, and each and all of its officers, agents, servants, employees and privies, be and they hereby are and each hereby is permanently enjoined and restrained from:

(a) The making of any type of representation, including non-disclosure or concealment, concerning the scope, qualities or characteristics of the Butterfield Patent, U. S. Patent No. 2,544,246, or the scope, qualities

or characteristics of the Tuohy Patent, U. S. Patent No. 2,510,438, or the scope, qualities or characteristics of each of said Patents, when compared with the other, except in accord with the following in its entirety:

"There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

"(1) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola "than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

"(2) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea that it provides uninterrupted flow of tear or lach-

rymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the 'bi-curve conforming type.'

"The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

> " 'The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition.'

"The Butterfield Patent contains two claims, the broadest of which reads as follows:

> " '1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea.'

"(3) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is de-

fined by a single spherical curve of a radius 'flatter,' or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the 'flatter type lens.'

"Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

"Claim 1 of the Tuohy Patent reads as follows:

> "'1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency.'"

(b) The making of any type of representation, including non-disclosure or concealment, concerning the terms of the settlement of the former action between the parties, Civil 60-107, in the District Court of the United States for the District of Oregon, except in accordance with the following statement of the terms of said settlement, in its entirety:

"(1) The former litigation between the parties was settled by a duly entered consent judgment, a filed stipulation of facts and matters, a filed stipulation for dismissal of counterclaim, and an unfiled settlement agreement. The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well as the unfiled settlement agreement, were dated April 24, 1962.

"(2) The entered consent judgment, in pertinent part, provides:

"'IT IS HEREBY ADJUDGED AND DECREED as follows:

"'1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.

"'2. Plaintiff-counterdefendant Solex Laboratories, Inc. was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.

"'3. On or about May 12, 1961, plaintiff-counterdefendant The Plastic Contact Lens Company, became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.

"'4. Defendant-counterclaimant George H. Butterfield, Sr. is a resident of Portland, Multnomah County, State of Oregon.

"'5. Defendant-counterclaimant Geo. H. But-

terfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.

" '6. This Court has jurisdiction over the parties and the subject matter of this action.

" '7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.

" '8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.

" '9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.

" '10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.

" '11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.

" '12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.

" '13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgement therefor.

"'14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.

"'15. The injunction pendente lite which has been issued out of and under the seal of this Court against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant counterclaimant George H. Butterfield, Sr. is hereby exonerated and released.'

"(3) The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:

"(a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

"(b) That Butterfield, the individual, has not infringed the Tuohy Patent.

"(c) That by license agreement between Plastic and Butterfield dated May 6, 1960, Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore, no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent other than for the infringement of said Patent by Solex prior to May 12, 1961.

"The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

"(4) The unfiled settlement agreement, except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:

"(a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

"(b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:

"(i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;

"(ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;

"(iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical;

"(iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and

"(v) Agreed to pay to Butterfield the sum

of $6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringement damages suffered by Butterfield from infringement by Solex.)

"(c) Plastic further agreed, as part of the settlement above set forth for Butterfields' infringement claims against Solex, to pay the sum of $60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This $60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

"(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

"(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

"(f) Butterfield and Butterfield & Son shall file a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

"(g) Each party thereby released 'any and all claims or causes of action which he or it has or may have against each of the other parties arising out of the action or the subject matter of the action.'"

(c) The enforcement or use, by any means or meth-

od, either under existing or future agreements, by claim or otherwise, of a royalty base in its license agreements covering the Tuohy Patent, U. S. Patent No. 2,510,438, or covering any other patent, by which the amount of royalty payable to Defendant is measured by or computed upon lenses or devices, finished or unfinished, patented or unpatented, other than those made under the teachings of said Tuohy Patent;

(d) The continued use, either under existing or future agreements with its licensees or prospective licensees, of indemnity agreements or offers, offering to indemnify or indemnifying licensees of Defendant either partially or totally against claims for infringement of the Butterfield Patent, U. S. Patent No. 2,544,246, or claims for infringement arising from the use or manufacture of any device not made in accordance with the teachings of the Tuohy Patent, U. S. Patent No. 2,510,-438;

(e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions or suits against licensees of Defendant or Plaintiff and others wrongfully and without foundation charging alleged conspiracy with Plaintiff or with others and the assertion of damages therefor, including, but not limited to, the following pending actions:

(1) The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60.

(2) Wesley-Jessen Inc., a corporation, and The Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants, vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 137-B.

In the Findings of Fact and Conclusions of Law heretofore entered, the Court has determined that the acts of Defendant hereinbefore enjoined are wrongful, in tortious violation of Plaintiff's rights, and illegal restraints on trade, violations of Federal anti-trust laws against acts in restraint of trade, and are unfair competition, that such acts, until such time as they shall be enjoined, have directly and proximately caused Plaintiff substantial and irreparable injury and damage, and the Court has further directed in such Findings of Fact and Conclusions of Law that an accounting be had to fix the amount of Plaintiff's damages growing from such acts and conduct and that a judgment be entered after such accounting, for thrice the amount of such damages as flows from violation of the Federal Acts against restraints on trade and for other damages, plus a reasonable amount to be recovered by Plaintiff from Defendant for attorneys' fees. Therefore, it is hereby further

CONSIDERED, ORDERED AND ADJUDGED that ruling is reserved on the amount of damages sustained by Plaintiff as a direct and proximate result of such acts and conduct by Defendant and as to the amount of attorneys' fees to be awarded to Plaintiff;

provided, however, that it is now Considered, Adjudged and Ordered that Plaintiff is entitled to recover judgment from Defendant for thrice the amount of the damages Plaintiff has sustained as a proximate result of Defendant's conduct in violation of the Federal laws against restraints on trade, as may be determined by such accounting to be hereafter held, plus reasonable attorneys' fees to be allowed to the Plaintiff, and that an accounting shall be hereafter held, at a time to be fixed by the Court, to determine all of Plaintiff's damages and that thereafter judgment shall be entered accordingly in favor of Plaintiff against Defendant for such damages, attorneys' fees and costs, the costs so to be recovered to be those incurred in connection with said accounting.

In the Findings of Fact and Conclusions of Law heretofore entered, the Court found and determined that the evidence did not sustain any of the charges set forth in the counterclaim asserted by Defendant against Plaintiff either as set forth in the pleadings or as set forth in the pre-trial order, and that the charges made in such counterclaim were untrue. It is therefore

CONSIDERED, ORDERED AND ADJUDGED that Defendant shall have and receive no relief whatsoever from the Plaintiff by virtue of the matters set forth in its said counterclaim and that such counterclaim be and the same hereby is dismissed, with prejudice. It is further

CONSIDERED, ORDERED AND ADJUDGED that Plaintiff have and recover of and from Defendant

judgment for its costs incurred herein up to the date of the entry of this judgment order, subsequent costs on the accounting for damages to be allowed on the conclusion of said accounting, and entry of judgment thereon.

Inasmuch as the Court, pursuant to the provisions of Rule 54, has determined that there is no just reason for delay in the entry of final judgment on the matters herein set forth, and has expressly directed the entry of judgment as to the matters herein set forth, this shall stand as the final judgment of the Court as to all such matters, reserving only the accounting for damages, and the entry of judgment thereon, and for Plaintiff's attorneys' fees and costs as previously set forth.

Dated this 23rd day of April, 1965

/s/ JOHN F. KILKENNY
District Judge

APPENDIX C

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

THE PLASTIC CONTACT LENS COMPANY a corporation, *Appellant*,
vs.
GEORGE H. BUTTERFIELD, SR. *Appellee*. No. 20,212

[August 31, 1966]

Appeal from the United States District Court for the District of Oregon

Before: POPE, BROWNING, and ELY, Circuit Judges

ELY, Circuit Judge:

Each of the parties owns a patent pertaining to the design and construction of corneal contact lenses. Appellant, the defendant below and hereinafter called Plastic, holds the rights to the so-called Tuohy patent, Number 2,510,438. It is senior to that called the Butterfield patent, Number 2,544,246, owned by George H. Butterfield, Sr. As plaintiff, Butterfield was successful in the court below, and Plastic appeals.

The present dispute follows a long history of controversy arising from conflicting claims pertaining to the two patents and their scope. A part of the history is interwoven with contentions in the present litigation and must be briefly reviewed.

Plastic acquired its rights to the Tuohy patent in

November, 1960, when it purchased all of the capital stock of Solex Laboratories, the previous owner of the patent. Before that time, Solex had sued Plastic, alleging that the latter had infringed the Tuohy patent. In that action, Plastic challenged the validity of the patent which it now owns. See *Solex Labs, Inc.* v. *Plastic Contact Lens Co.*, 268 F.2d 637 (7th Cir. 1959).

Before the transfer of its ownership to Plastic, Solex had sued Butterfield and George H. Butterfield & Son, a corporation in which Butterfield was the majority stockholder, in the United States District Court for the District of Oregon. That suit, in which Solex alleged infringement of the Tuohy patent, was pending when Plastic purchased Solex, and Plastic became a party plaintiff. Before its purchase of Solex, Plastic had, in May, 1960, purchased from Butterfield a license under which it might employ the Butterfield patent. The Oregon suit into which Plastic had moved as plaintiff ended by compromise in April, 1962. *Solex Labs, Inc.* v. *Butterfield,* 202 F. Supp. 461 (D. Or. 1961). Pursuant to the agreement there was entered, with the consent of the parties, a judgment in which it was declared that the Butterfield patent was valid, that it had been infringed by Solex, Plastic's predecessor, and that the amount of infringement damages had been settled by agreement between Butterfield and Plastic. Under the terms of the compromise, Butterfield and the Butterfield corporation dismissed, with prejudice, all claims against Plastic (other than the settled infringement claim against Solex) and granted to Plastic a royalty-free license to the Butterfield patent. In exchange, Plastic re-

leased Butterfield, his licensees, and the Butterfield corporation from all claims of infringement of the Tuohy patent to the date of the agreement, gave to Butterfield the right to grant royalty-free licenses under the Tuohy patent to four Butterfield licensees and to the Butterfield corporation, so long as it was held by the Butterfield family, and agreed to pay Butterfield the sum of approximately $66,000. It was specifically agreed that both Plastic and Butterfield might, by solicitation, seek to enter into license agreements with existing licensees of the other and that both might enforce their rights to their respective patents against such licensees in the future.

Against the foregoing background, we now look at the present suit, filed by Butterfield in July, 1963, only fifteen months after the "settlement" of the previous litigation. In his complaint, Butterfield, seeking an injunction and damages, alleged his grievance in three causes of action. In the first, it is charged that certain acts of Plastic, committed following the settlement agreement of April, 1962, and committed "unlawfully, deliberately, and in bad faith," constitute unfair competition. In the second, it is alleged that certain acts of Plastic, specified in the first cause of action, constitute actionable interference with contractual relationships existing between Butterfield and his licensees. In the third, Plastic is accused of having breached the settlement agreement and having also, by certain of the acts specified in the first cause of action, violated antitrust laws of the United States.

Plastic filed an answer in which, generally, it denied Butterfield's accusations of wrongful acts. It also interposed a counterclaim in which it made charges against Butterfield which are somewhat similar to those made by Butterfield against it and in which it prayed for damages, as well as for injunctive relief. The jurisdiction of the District Court rested upon diverse citizenship of the parties and the requisite amount in controversy. Following trial, the court made factual determinations and arrived at legal conclusions which supported the contentions of Butterfield in all substantial respects. It issued an injunction against Plastic and, ordering that there be an accounting, adjudged that upon the determination of Butterfield's damages, the amount thereof be trebled. Plastic appeals, invoking our jurisdiction under 28 U.S.C. § 1292(a)(1).

In their briefs, the parties devote much of their discussion to the relative merits and scopes of their respective patents. The trial court also directed much of its attention to these considerations, and some of the findings and conclusions appear to be predicated upon the resolution of conflicting claims in this connection. In the posture of the case as cast by the pleadings, we see much of the evidence as being of little relevance. There is, of course, a technical difference in the arts defined in the two patents. The Tuohy patent calls for a contact lens which, on its inner surface, has a curve of greater radius than the portion of the eye which it covers. This is to provide "a small but gradually increasing clearance" between the lens and the tissue of the eye, thus allowing for lubrication which is claimed to be desirable.

Certain of Butterfield's original claims, having been rejected as "unpatentable over Tuohy" were abandoned, and the finally acquired Butterfield patent generally discloses a contact lens with two or more concentric curves on the inner surface, designed to conform to the eye's underlying curvature throughout the area covered by the lens. As we have recited, the Tuohy patent was senior. Challenges to its validity have been previously rejected and courts, including ours, have hailed it as pioneer. *Pacific Contact Labs, Inc.* v. *Solex Labs, Inc.*, 209 F.2d 529 (9th Cir. 1953). See also *Solex Labs, Inc.* v. *Graham*, 165 F. Supp. 428 (S.D. Cal. 1958). The characterization bears significance, for our court wrote, long ago,

> "If pioneers, they [a patent's owners] would be entitled to a broad and liberal construction, if, mere improvers, the claim would only be entitled to a narrower interpretation."

Los Angeles Art Organ Co. v. *Aeolian Co.*, 152 Fed. 880, 882 (9th Cir. 1906). Here, the District Court determined that the Tuohy patent was not a pioneer, basing its findings upon a publication of prior art not brought to the attention of the courts which had previously held to the contrary. The publication is an article from the April, 1936, issue of Fortune magazine. The article does recite that corneal contact lenses were known before the time of the Tuohy patent, but we do not read the article as negating the novelty of Tuohy's invention. The opinions in both *Pacific Contact Labs, Inc., and Solex Labs, Inc., supra*, reveal that much consideration was given to the existence of prior art.

The evidentiary material in those cases was detailed, complicated, and technical, while the Fortune article, worthy for its enlightenment of lay readers, is comparatively superficial.[1] It is emphasized in the findings that the Butterfield patent was not involved in the prior litigation in which two courts determined that Tuohy was pioneer. This would not seem to be significant, since the issuance of Butterfield's patent followed the grant of Tuohy's and could not have affected the validity of the Tuohy patent, or, of itself, prevented the determination that Tuohy was pioneer.

Having erroneously determined that the Tuohy patents was not a pioneer and thus not subject to the requirement that it be accorded a liberal interpretation, the District Court went on, in its eleventh conclusion, to hold,

"Plastic is estopped to assert that the Butterfield

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[1] It is interesting to note that some of the same counsel representing the parties challenging the validity of the Tuohy patent in the prior cases are, here again, challenging its scope. In *Solex Labs, Inc.* v. *Graham, supra,* the court commented,

> "Some of the same counsel who represented the infringer in the Pacific Contact Laboratories, Inc. v. Solex Laboratories case appear for the defendants in this case and contend that not all the prior art was brought to the attention of the Court in that case. . . . These omissions from the briefs in the earlier case were unimportant for the newly cited art does not add anything of worth to defendants' case. . . . Not one of the cited examples of prior art teaches a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea. . . . This was new in the contact lens art and the discovery of how to accomplish it was invention."

Solex Labs, Inc. v. *Graham, supra,* 165 F. Supp. at 433-34.

> lens is covered by any claim of the Tuohy patent by the rule of patent construction, often referred to as 'File Wrapper Estoppel,' that a claim in a patent must be read and interpreted with reference to claims that have been cancelled or rejected."[2]

Applied to the facts of this case, the conclusion is erroneous. Tuohy, in its application, abandoned no claims which were later successfully presented by Butterfield, the junior patentee. As we have previously noted, certain of the original Butterfield claims were rejected because of the prior grant to Tuohy and were abandoned. Of course, the principle of file wrapper estoppel is applicable in interpreting the scope of the Tuohy patent or any other, but it could not here be invoked to bar a contention by Plastic that its Tuohy patent covered the lenses being manufactured under licenses granted by Butterfield.[3]

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[2] The conclusion followed the court's Finding of Fact No. 12 (a), which reads,

> "(a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the patent."

Factors which would necessarily require consideration in the ascertainment of the scope of the patent are the claims, both surrendered and matured, and the pioneer classification.

[3] The District Court correctly held that Plastic is estopped from challenging the validity of the Butterfield patent. This is so because Plastic is a licensee and licensees may not attack the validity of the licensor's patent. IV Walker, Patents § 403 (2d Deller ed. 1965). However, the court erred when it went on, in its conclusion, to hold that Plastic is also estopped to challenge the operative effect or utility of the Butterfield patent. The law is quite clear that while a licensee cannot attack the validity of the patent, he is free to attack its scope. *Westinghouse Elec. & Mfg. Co.* v. *Formica Insulation Co.*, 266 U.S. 342, 69 L.Ed. 316, 45 Sup.

We must assume that the District Court's careful recordation of its determinations in the particulars just discussed are indicative of belief that they were required as predicate for the determinations made in favor of Butterfield as to its claims of unfair competition and violation of antitrust laws. The findings and conclusions pertaining to the relative scope and effect of the two patents are clearly seen as having been influential to the court, and we see the errors which we have already discussed as having contaminated other findings and conclusions leading to the judgment under attack.

While the long history of frequent litigation centered upon claims relating to the two patents was not improperly heard by the court below, the ultimate issues which were presented in Butterfield's complaint were limited to issues not of patent law but of law pertaining to the charges that Plastic had unfairly competed, had tortiously interfered with Butterfield's contractual relationships, and had infringed upon federal prohibitions against certain trust activities. Disregarding the findings and conclusions which are erroneous or not germane, our examination of the record compels the conclusion

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Ct. 117 (1924). Let us assume that a manufacturer is a licensee of a patent under which he makes refrigerators. The same manufacturer also makes stoves, and the owner of the patent, contending that the refrigerator patent also covers stoves, claims a royalty on all the stoves manufactured. Surely the manufacturer should not be estopped to challenge the asserted scope of the patent. We notice that one of the reasons the court expressed in its conclusion that Plastic should be so estopped is that it is a licensee of the Butterfield patent. Yet, Butterfield was not held similarly estopped from attacking the operative effect or utility of the Tuohy patent even though the settlement agreement gave Butterfield the right to grant a number of licenses under the Tuohy patent.

that the evidence does not support the judgment against Plastic and that, also, it would not have supported a judgment against Butterfield on Plastic's counterclaim.

Plastic had entered into contracts with numerous licensees. As consideration for its grants of the licenses, the contracts provided that the licensees were to pay royalties, the amounts of which were to be measured by the amount of the total sales of contact lenses by each particular licensee.[4] A number of the conclusions and findings of the trial court relates to its determination that Plastic, in enforcing its standard royalty agreements, engaged in competition which was unfair to Butterfield and which violated federal antitrust laws.

The court determined that the royalty agreement covered only those devices which were made under the teachings of the Tuohy patent and that Plastic, by collecting royalties on all devices, rather than merely those made under Tuohy teachings, unfairly competed and violated prohibitions of the antitrust laws. The court stated

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[4] Each agreement provided,

"2(a) LICENSEE, solely for the purpose of accounting hereunder, agrees to pay to LICENSOR royalties upon all devices consisting of pieces of finished material in which two lens surfaces are applied thereto and which are adapted to be or are made into a finished or unfinished corneal lens calculated in accordance with the following schedule on all such devices sold by LICENSEE:

$1.00 on each pair of the first 150,000 pairs of devices or $.50 per device.

$ .75 on each pair of the next 100,000 pairs of devices or $.375 per device.

$ .50 on each pair of the next 100,000 pairs of devices or $.25 per device.

$ .25 on each pair of all additional pairs of devices or $.125 per device."

in its findings that it construed the agreement narrowly so that it might be held valid as written even though, according to the court, it was invalid as enforced. The court found no vice in one form of an agreement enforced by Butterfield, calculating the consideration paid by the licensee upon the basis of all the licensee's sales during the twelve-month period immediately preceding the date of the licensing agreement. It must be assumed that none of these devices, sold in advance of acquisition of a Butterfield license, were constructed under the Butterfield teachings. While ruling that Plastic had produced no evidence to support its claim that its method of royalty determination was to accomplish simplified accounting, the court accepted Butterfield's position that its royalty scheme was conceived and applied for that purpose.

The Plastic agreement calls for royalties measured by current sales rather than by past sales. Such an agreement was upheld by the Supreme Court in *Automatic Radio Mfg. Co.* v. *Hazeltine Research Co.*, 339 U.S. 827, 94 L. Ed. 1312, 70 Sup. Ct. 894 (1950). Butterfield's attempts to distinguish this case are not persuasive.[5] Our construction of the decision leads us to the conclusion that there was error in the interpretation of the Plastic licensing agreement and in the decision that Plastic's collections under the royalty provision were illegal.[6]

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[5] In addition to the method of royalty calculation described above, Butterfield has granted royalty agreements requiring the payment of a fixed amount each month. This provision, too, is without regard to whether any devices are made by the licensee under the teachings of the Butterfield patent.

[6] Plastic makes the further contention that since it was enforcing the disputed royalty agreement at the time of the settle-

Another of Butterfield's claims of unfair competition pertains to the alleged misrepresentation by Plastic, through the use of circulars, letters, and other methods of dissemination, of the operative nature of the Butterfield patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties. Butterfield alleges that the purpose of the claimed misrepresentation was to induce others not to deal with Butterfield.

Generally, Plastic's alleged wrong was the distribution of information as to its point of view of the settlement. On October 25, 1962, it sent to all of its licensees a form letter which purported to explain the settlement which had been accomplished in the preceding April. The court conceded that a primary reason for the letter may have been to explain to these licensees the reasons for permitting Butterfield to grant the four Tuohy licenses and their possible effect on other outstanding licensees to employ the Tuohy teachings. At the same time, it was found that the letter contained actionable misrepresentations. Among these was the representation that Butterfield and Plastic had "recently" settled their dispute. This was untrue because, wrote the court, "In fact this settlement had been made more than six months before in April of 1962." We see no solid basis for finding that a reference to a matter six months old as "recent" is actionable misrepresentation, and we see no showing of how such a "misrepresentation" could have injured Butterfield.

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ment and consent judgment, the question should be held to have been resolved. Because we hold that the agreement and its enforcement were not illegal, we do not reach that issue.

The court emphasized that while Plastic represented that it had been released "from all claims alleging infringement of the Butterfield Patent," it did not further state that Solex had been determined to have infringed the Butterfield patent. We cannot see that Butterfield was thereby injured or even that omitting to advise that a predecessor had infringed the patent could be characterized as misrepresentation. Other facts omitted from the distributed information are mentioned, and the court found, "To a trade, then under active solicitation by Butterfield the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts." We construe this ruling to mean that the court felt obliged to conclude, as a matter of law, that *any* detriment to Butterfield would necessarily be *severe*. We disagree. Furthermore, nothing prevented Butterfield from circulating his own version of the settlement agreement, and it is indicated that he did this to a limited extent.

The court found that Plastic "assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield." We are aware of no requirement that a competitor shall affirmatively present his competition's view of the import of an event. It is perfectly understandable that Plastic wished to avoid discontent among its existing licensees. Butterfield could have reached the same people, and, the trial court indicated, it did circulate its own version of the settlement agreement. The identities of potential licensees in the business were not secret. The trial court mentions the number of people in the busi-

ness, referring to a partial list of them. All were subject to the reach of Butterfield, as well as of Plastic.

There is similar inconsistency in Butterfield's challenge of the indemnity agreement which Plastic offered its licensees. The District Court found that this, too, constituted sufficient evidence of unfair competition. The finding can hardly be reconciled with the court's observations without a finding of fault, that in the past Butterfield itself had indemnified several of its licensees against liability arising from any claims of infringement of the Tuohy patent. Throughout the record, it is seen that Butterfield has committed many of the same acts which, committed by his competitor, he charges as unfair competition.

The crucial part of the indemnity agreement offered by Plastic provides, "Licensor shall indemnify Licensee, . . . against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,245 with respect to devices sold by Licensee . . ."

In reviewing the record, one is struck by the similarity of the inventions taught by the two patents. One undertaking to construct a device under the teachings of the one patent, because of variations in the curvature of human eyes and the close precision required, confronted almost certain risks of infringing the other patent. It was inevitable, as the history reveals, that licensees of Butterfield would be exposed to claims of infringement of the Tuohy patent and that licensees of Plastic would be charged with trespass upon the rights of Butterfield. These realities created adequate and le-

gitimate justification for the desirability, if not the necessity, on the part of each patent holder to offer indemnity agreements to its licensees.

Assuming that one's offer of indemnity agreements may be attended by circumstances supporting a determination of this wrongful and unfairly competitive purpose, the offers of Plastic here, and of Butterfield also, were so clearly induced by a legitimate business motive that there is insufficient support for the determination that Plastic's overtures to its licensees were inspired by actionably wrongful intent and purpose.[7]

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[7] Butterfield includes in the appendix to his brief a letter, which was before the court below. The letter is characterized as "typical correspondence." It was received by Plastic from one of its licensees. It cannot be considered as "typical" of correspondence pertaining to the effect of the indemnity agreement, since this licensee had not been a party to such an agreement. Butterfield had filed an infringement suit against the licensee, Rich-Tint, and a consent judgment was entered prior to the time that Plastic had made the indemnity offer. The licensee informed Plastic that it was financially unable to undertake the defense of the infringement suit and had entered into a licensing agreement with Butterfield at a cost to it of $50.00 per month for the remaining life of the Butterfield patent. The licensee requested, in its letter, that Plastic do for it retroactively what it offered to do for other licensees prospectively. It asked that it be allowed to deduct the amount of the Butterfield royalty from the amount due Plastic for royalties.

We do not read this letter, "typical" or not, as supporting Butterfield's position. It reveals that Butterfield had filed an infringement action against a small manufacturer who, unable to afford the cost of defending the suit, purchased a Butterfield license, the amount of the royalty to be paid without regard to whether it constructed any devices under the teaching of the Butterfield patent. We cannot know whether Rich-Tint was infringing or whether it ever made a device comporting with the Butterfield teaching. But we can see that Plastic, to prevent burden to its licensees in confronting similar claims, had ample justification for its offers of indemnity.

Finally, we consider Butterfield's complaint and the determination that Plastic unfairly competed through instituting litigation against its own licensees which libeled Butterfield and his attorneys and frightened the licensees from dealing with Butterfield.

One purpose of these actions was to recover unpaid royalties alleged by Plastic to be due under the royalty agreements. As an extension of its narrow interpretation of the Plastic royalty agreement and its determination that Plastic improperly applied the royalty provisions by attempting to collect for all devices made by its licensees, the trial court held the suits to be wrongful. We have already expressed our view that the broad royalty provisions and the manner of their application were legally permissible. Furthermore, nothing in the record indicates that the claims for unpaid royalties in the suits were not made in good faith.[8]

Another aspect of Plastic's suits was its charge that the defaulting licensees, together with Butterfield and Mason, one of Butterfield's attorneys, conspired to damage and injure the Plastic licensing system. None of these suits ended successfully for Plastic. That does not mean that the suits were wholly groundless, as the trial court found, or that they were coercive or unfair to Butterfield, just as an unsuccessful criminal prosecution does not, simply because it is unsuccessful, create liability for malicious prosecution. Conspiracy involves a rather sophisticated undertaking. Steps are generally

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[8] One of the parties sued, Hunt, was also sued by Butterfield for unpaid royalties under a licensing agreement between Hunt and Butterfield.

taken to cover tracks. See *Esco Corp.* v. *United States*, 340 F.2d 1000, 1006 (9th Cir. 1965). Plastic knew that Mason had represented parties unsuccessful in their attacks upon the validity of the Tuohy patent in the cases previously cited, *Pacific Contact Labs, Inc.* v. *Solex Labs, Inc., supra*, and *Solex Labs, Inc.* v. *Graham, supra*. Mason had also represented several of the parties defendant in those actions filed by Plastic which are claimed by Butterfield to have been wrongfully coercive. Mason also represents Butterfield. There was no direct connection between the parties defendant and Butterfield other than as revealed by attempts of Butterfield in some instances to enter into license agreements with them; nevertheless, the circumstances, as could be seen by Plastic in advance of plenary determination, were sufficient to prevent a valid finding that Plastic's suits were instituted in bad faith or that they were "groundless."

The District Court concluded that "The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described, was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield." This conclusion was drawn, expressly, "in view" of Plastic's "other activities", and we do not, in the light of the whole evidence, see that these "other activities" were illegal. Reviewing them specifically, we do not believe that it is supportable to conclude that the broad royalty base was unlawful, that the disclosures with regard to the settlement agreement were actionable misrepresentation, that the indemnity

agreements involved constituted a method of unfair competition, or that it was wrongful for Plastic to communicate its view that a patent twice held to be a "pioneer" was a pioneer and, thus, had a broad scope. We recognize that a series of lawsuits, wrongfully instituted for oppressive purpose, may constitute the basis for a just charge of unfair competitive activity. See Callman, Unfair Competition and Trademarks § 8.1d, p. 139 (2d ed. 1950). But see *Frolick* v. *Miles Labs, Inc.*, 316 F.2d 87 (9th Cir.), *cert. denied*, 375 U.S. 825, 11 L. Ed. 2d 58, 84 Sup. Ct. 66 (1963). Here, however, the evidence is insufficient to support Butterfield's contention for the application of that rule.

All of the foregoing leads to the conclusion that we, from the entire evidence, are "left with a definite and firm conviction that a mistake has been committed." *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 365, 68 Sup. Ct. 525, 542, 92 L. Ed. 746 (1948). The case was carefully tried, and it is plain that there was a full production of evidence.[9] We see no substantial reason for imposing further burdens upon the parties and upon the court. The judgment against Plastic is reversed. Upon remand, the complaint will be dismissed, and, with it, also falls the counterclaim.

Reversed with directions

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[9] Butterfield complains that Plastic is shutting him out, yet the trial court observed that there are some three hundred manufacturers of plastic contact lenses in the United States. Plastic has licensed about one-half this number. At the time of trial, Butterfield had only solicited about fifty of these, of which twenty-three had purchased licenses from him. During the period following the 1962 settlement and before the trial of the present case, Butterfield nearly doubled his number of licensees.

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APPENDIX D

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON

GEORGE H. BUTTERFIELD, SR., Plaintiff,	)	FINDINGS OF FACT
v.	)	AND
THE PLASTIC CONTACT LENS COMPANY, a corporation Defendant.	)	CONCLUSIONS OF LAW* CIVIL NO. 63-294

Be it remembered that the above cause came on for trial on the 22nd day of June, 1964, the plaintiff appearing through R. R. Bullivant and Douglas G. Houser, and the defendant appearing through James C. Dezendorf, Dugald S. McDougall and Irwin Panter, its attorneys. Plaintiff and defendant produced evidence on their respective hearings and at the conclusion of the trial, the Court directed each party to submit proposed findings and conclusions. After an exhaustive study and analysis of the record, including the findings and conclusions proposed by plaintiff and defendant, the Court has arrived at the conclusion that the weight of substantial evidence supports the plaintiff's contentions, both of law and of fact. In order to present a more meaningful result, findings of fact and conclusions of law are, in some instances, interwoven.

For brevity, the following definitions will apply unless the context indicates otherwise:

(a) "Butterfield" means the Plaintiff, and "Plastic" means the Defendant.

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* Documentation to the Record and Evidence supplied. See "Record References," page iii of this Petition.

(b) "Solex" will refer to a former California corporation, known as Solex Laboratories, Inc.

(c) "Butterfield & Son" will refer to an Oregon corporation known as George H. Butterfield & Son.

(d) The term "Tuohy Patent" refers to United States Patent No. 2,510,438; whereas the term "Butterfield Patent" refers to United States Patent No. 2,544,246.

FINDINGS OF FACT

1. Butterfield is, and throughout the period here material has been a citizen and resident of Portland, Oregon. He is and has been licensed to practice as an optometrist in the State of Oregon since 1918 but has not done so actively for about two years. He is the majority stockholder of Butterfield & Son which is, and since December, 1948, has been, engaged in the manufacture and sale of plastic contact lenses under a royalty license from Butterfield. Butterfield is also the owner of the Butterfield Patent and has been since its issuance on March 6, 1951. The Butterfield Patent will expire under its terms in March, 1968.

Pre-Trial Order, Agreed Fact 1, R. p. 45 Butterfield Patent, Ex. 45; Butterfield, Tr. 159.

2. Plastic is, and throughout the period here material has been, an Illinois corporation, having its principal place of business in Chicago, Illinois. Plastic is licensed to do business in the State of Oregon and is subject to suit therein. At least since 1948, Plastic has

been engaged in the business of manufacturing and selling plastic contact lenses.

Pre-Trial Order, Agreed Fact 2, R. p. 45.

3. The amount in controversy in this action and in the counterclaim each exceeds the sum of $10,000.00, exclusive of interest and costs, and this Court has jurisdiction of the parties and of the subject matter of the action and of the counterclaim.

Pre-Trial Order, Agreed Fact 3, R. p. 45.

4. The Tuohy Patent for improvements in a corneal contact lens was issued June 6, 1950, to K. M. Tuohy and will expire under its statutory term in June, 1967. It was issued on an application filed February 28, 1948.

Ex. 43 (Patent); File Wrapper of Tuohy Patent Patent Application, Ex. 113.

5. Solex, the original owner of the Tuohy Patent, was until May 12, 1961, a California corporation having its principal place of business in Los Angeles, California. From 1948 until May 12, 1961, Solex was engaged in the business of making and selling plastic contact lenses, and it owned the Tuohy Patent from the date of its issuance until April 12, 1961.

Pre-Trial Order, Admitted Fact 4, R. p. 46.

6. On November 4, 1960, Plastic acquired all the capital stock and control of Solex. On April 12, 1961, the Tuohy Patent was assigned by Solex to Plastic, which still owns it. On May 12, 1961, Solex was liquidated and dissolved, Plastic on that date having acquired its assets and assumed its liabilities, after liquidating and dissolving Solex. Plastic continued to sell to Solex's old customers.

Pre-Trial Order, Admitted Fact 5, R. p. 46; Agreement between Plastic, as buyer, and Tuohy and Zabner, as sellers, dated November 6, 1960, for purchase of all of stock of Solex by Plastic, Ex. 136.

7. There are material and substantial differences between the Tuohy and Butterfield Patents so that a lens made in accordance with the Butterfield Patent does not infringe the Tuohy Patent, and a lens made in accordance with the Tuohy Patent does not infringe the Butterfield Patent.

(a) A corneal contact lens is a transparent object worn directly on the cornea, being held thereon by capillary attraction with the tear fluid between the lens and the cornea. All corneal contact lenses are concavo-convex in cross-section and are smaller in diameter than the diameter of the limbus of the eye, which is the area surrounding the cornea between the cornea and the white of the eye. The human cornea is shaped more like a parabola than a segment of a sphere, in that its central or optical zone is substantially spherical while the marginal portion of the cornea flattens out toward its periphery. The corneal surface, however, has microscopic irregularities.

(b) The Butterfield lens is also substantially parabolic on its concave side, so that it follows closely the shape of the cornea. That is, its central portion conforms to the optical zone of the cornea in such manner that it does not exert undue pressure, and its marginal portion so corresponds to the marginal zone of the cornea

that it provides uninterrupted flow of tear or lachrymal fluid. This relationship to the cornea is brought about by the concave surface of the lens being defined by at least two concentric curves of relatively different radii of curvature. The lens of the Butterfield Patent is known in the trade as the "bi-curve conforming type."

The cornea inherently has surface irregularities and, therefore, exact conformity is neither required nor intended. Only approximate conformity and correspondence are intended, as shown by the following language of the Butterfield Patent specification:

> "The applicant, by providing a lens whose contact surface is very close to the shape of the eyeball, has brought about the ideal corneal contact lens condition."

The Butterfield Patent contains two claims, the broadest of which reads as follows:

> "1. A corneal contact lens of concavo-convex form in section and of a size to lie within the area defined by the limbus having an inner central spherical area conforming to the corresponding area of the cornea to which the lens is applied so that undue pressure will not be present at any point, the remainder of said inner surface extending, radially outward toward the limbus being formed on a curve different from that of said central area and corresponding in curvature with that portion of the corneal peripheral area to which the lens is applied, whereby space is provided for the natural uninterrupted circulation of lacrimal fluids between said lens and the cornea.

McClain, Tr. 620; Butterfield, Tr. 289, 295, 305,

341; Conlogue, Tr. 335, 320; Satterlee, Tr. 463; Butterfield Patent, Ex. 45; Dippery, Tr. 217; Model, Ex. 122; Drawing, Ex. 151.

(c) The Tuohy Patent, on the other hand, describes and claims a lens whose concave surface is defined by a single spherical curve of a radius "flatter," or of sufficiently longer radius than that of the cornea so as to provide a gradually increasing clearance or tear space between the lens and cornea radially outwardly from the center. The lens of the Tuohy Patent is known in the trade as the "flatter type lens."

Thus the Tuohy lens is the opposite of the Butterfield lens, in that it has a loose or flatter fit as distinguished from the conforming type fit of the Butterfield lens.

Claim 1 of the Tuohy Patent reads as follows:

"1. A contact lens applicable to the human eye comprising a concavo-convex lens formed of light-transmitting material having a marginal size smaller than the limbus portion of the eye to which it is applicable but larger than the maximum iris opening, said lens having a radius of curvature on its concave side slightly greater than the radius of curvature of the cornea to which it is applied so that radially from the center of the lens there will be a small but gradually increasing clearance for the entry of natural eye fluids between the lens and the cornea, said lens being ground to correct for visual deficiency."

Tuohy Patent, Ex. 43.

8. The trade in contact lenses both at the manufac-

turing, dispensing and fitting levels, has recognized that there are substantial differences between the two patents, and a very substantial volume of this trade is now and for some time last past, including the period since April, 1962, has consisted of the "bi-curved conforming" Butterfield-type lenses.

Butterfield, Tr. 171, 172, 181, 185, 186, 264, et seq, 351, 368, 391-2; Satterlee Tr. 462-3; Dippery, Tr. 208; Conlogue, Tr. 315, 320; Hunt Deposition, Ex. 149, p. 32, line 21, to p. 33, line 6; Corneal contact lens trade literature, Ex. 104 to 104y, inclusive, particularly at the pages or portions indicated in the pre-trial list covering these exhibits.

9. The Tuohy Patent was adjudged as validly covering the flatter type lens which it describes and claims in *Solex* v. *Pacific Contact Laboratories, Inc.*, in the United States District Court for the Southern District of California, Central Division, on September 14, 1951.

Opinion of Judge Harrison, Ex. 128.

10. Subsequent litigation in the same Federal District Court was brought by Solex against six fitters of contact lenses for alleged infringement of the Tuohy Patent, one of such cases being known as Solex v. Graham, 165 F. Supp. 428 (Aug. 1958). This litigation again adjudged the validity of the Tuohy Patent. In it Plastic, through its attorney, W. M. Van Sciver, defended three of the fitters, and Collins Mason, one of Butterfield's attorneys herein, defended two of the defendants. This activity by Mr. Mason was prior to any time at which he had been retained by Butterfield.

Appeals were prosecuted by the defendants in each of these cases but were terminated without an adjudication on the merits by the appellate court and the appeals dismissed as a part of the transaction by which Plastic acquired Solex in November, 1960.

Mason, Tr. 481-2; Agreement for purchase of Solex stock by Plastic, Ex. 136; Final judgment *Solex* v. *Graham*, November 28, 1960, Ex. 141.

11. Neither the Pacific Laboratories case nor the cases by Solex against the six fitters involved any device made under the teachings of the Butterfield Patent and Butterfield was not a party to any of that litigation.

Mason, Tr. 482.

12. The material and substantial differences between the two patents are additionally shown by factors other than those previously mentioned in these respects:

(a) The file wrapper of the Tuohy Patent, Ex. 113, discloses that patentee Tuohy surrendered broader claims in order to obtain allowance of the two claims which matured as the claims of his patent, and therefore Plastic is estopped to assert for the Tuohy Patent any broader scope than is defined by the two claims of the Patent.

(b) As is hereafter more fully set forth, Plastic, since May, 1960, has been a licensee under the Butterfield Patent and, as such is not only estopped to challenge the validity of the Butterfield Patent but is also estopped to challenge its operative effect or utility.

(c) The prior Portland litigation between the par-

ties which was settled and terminated in April, 1962, as will be hereafter more fully described, was the first court action in which the Butterfield Patent or lens was involved. This was a renewed recognition by Plastic, as well as the decree, that established both validity and utility of the Butterfield Patent as between the parties.

Ex. 1.

(d) Prior publication art, an article from Fortune Magazine for April, 1936, known to Plastic since the termination of the prior litigation, while not disclosing a corneal contact lens with the fitting relationships claimed by either Butterfield or Tuohy, does disclose that corneal contact lenses were known to the public many years before the application for either patent. The Court can find no justification for Plastic's position, asserted on oral argument, that the Tuohy Patent is broad in scope, but that the Butterfield Patent is narrow, and of only very limited utility or use.

Ex. 68; Wesley Deposition, Ex. 12; pp. 134-5.

13. At the time of the acquisition of Solex by Plastic in November, 1960, there was pending in the United States District Court for the Northern District of Illinois, Eastern Division, an action by Solex against Plastic for alleged infringement by Plastic of the Tuohy Patent. In this action Plastic had charged in verified pleadings and sworn affidavits filed therein that Solex had practiced deceit and coercion, had misused court opinions for the purpose of coercing manufacturers of corneal contact lenses into entering into license agreements with Solex under the Tuohy Patent and had misrepre-

sented the scope of the Tuohy Patent. In that action Plastic obtained a temporary injunction against Solex prohibiting acts of the kind previously described and this injunction was affirmed on appeal.

See Pleadings in *Solex* v. *Plastic,* #57-C-466, Ex. 66, 67; *Solex* v. *Plastic,* 268 Fed. 2d 637.

14. In May, 1960, Plastic acquired from Butterfield a license under the Butterfield Patent, paying or agreeing to pay a total consideration therefor, on a monthly basis, of $50,000.00. This license was acquired from Butterfield when Plastic was maintaining in court, as heretofore set forth, a position in which it not only was attacking the Tuohy Patent but was also challenging coercive and deceptive tactics of Solex whom it had not then acquired.

Pre-Trial Order, Admitted Fact 9, R. p. 47; Butterfield-Plastic license agreement, Part of Ex. 117.

15. Prior to the acquisition of Solex by Plastic, Solex had brought an action against Butterfield and Butterfield & Son in the District Court of the United States for the District of Oregon, Civil 60-107. After this action had been pending for some time and after the acquisition of Solex by Plastic, Plastic became a co-plaintiff against Butterfield and Butterfield & Son and continued the litigation against him and the corporation, Butterfield & Son. While this action was pending the plaintiff and Butterfield & Son applied for and after hearing obtained, on September 10, 1961, a preliminary injunction against Plastic against bringing or continuing the prosecution of actions or suits against li-

censees of Butterfield for infringement of the Tuohy Patent by reason of manufacture of devices under the Butterfield Patent, including actions then pending in other Federal Courts against Titmus Optical Company, Inc., a licensee of Butterfield, and against Rogers Brothers, another licensee of Butterfield. The temporary injunction also enjoined Plastic from notifying the trade that lenses made under the teachings of the Butterfield Patent infringed the Tuohy Patent, from threatening to sue licensees of Butterfield because of such alleged infringement, and from notifying the trade that the Butterfield Patent is inoperative or that the trade could manufacture and sell corneal contact lenses under the teachings of the Butterfield Patent without infringing it. This injunction order of this Court was made pursuant to findings and an opinion setting forth in substance that Plastic, since its acquisition of Solex, had continued many of the improper acts of Solex in its licensing program which Plastic had successfully challenged in the Federal Court in Illinois. *Solex Laboratories, Inc.* v. *George H. Butterfield, et al,* 202 F. Supp. 461 (D. Or. 1961).

Order granting preliminary injunction and memorandum opinion of the Court, Ex. 129.

16. There is no evidence that Plastic, since the time of said injunction order or since the time of the settlement of the former action between the parties, Civil 60-107, ever took any steps to repudiate or disassociate itself from the wrongful conduct of Solex enjoined in the Federal Court in Illinois as heretofore set forth or from its own conduct of a somewhat similar type en-

joined by this Court in the former action, and there is likewise no evidence of any such effort by Plastic to disassociate itself from such conduct or to disavow such conduct since the time of the settlement of the former action in April, 1962.

17. At the time Plastic acquired Solex and control of the Tuohy Patent in November, 1960, Solex had outstanding approximately 56 license agreements all or substantially all of which were in the form of Form 2, Ex. 46. Substantially all of such agreements had been obtained by Solex subsequent to August 6, 1958, the date of the decision of Judge Tolin in *Solex* v. *Graham*, supra. This is the opinion which Solex improperly used in circularizing the trade concerning the effect of the opinion and the scope of the Tuohy Patent as determined in the Chicago litigation between Solex and Plastic, above referred to. These Solex license agreements called for a royalty of $3.50 per pair of lenses and the royalty paid by the licensee was measured only by the quantity of Tuohy lenses handled by each licensee during each accounting period. Eventually Plastic, by dealings with the Solex licensees and by dealings with the trade, had acquired a total number of approximately 110 licensees at the time of the settlement of the former action between the parties in April, 1962. At the time of the settlement of the former action in April, 1962, the license agreements between Solex and its licensees and the new licenses acquired by Plastic had been converted into a different form of license agreement exemplified by Form Number 8 in Ex. 46. The new agreements reduced the royalty rate to fifty cents per lens.

Group of license forms used by Solex and Plastic, with attached explanatory yellow sheet, Ex. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; Agreement between Plastic and Tuohy and Zabner for purchase of Solex stock, Ex. 136; Pre-Trial Order, Admitted Fact No. 7, R. p. 46.

18. At the time of the settlement of the former action between the parties Butterfield had 12 licensees, including Plastic, the Butterfield corporation, Titmus Optical Company, Rogers Brothers, Sloan Optical Company, Inc. (name changed to Southern Contact Lens Laboratories, Inc.), and Utah Optical Supply Co.

List of Butterfield licensees showing dates when license agreement first obtained, Ex. 73; File of outstanding Butterfield license agreements, Ex. 117.

19. At the time of the settlement of the former action between the parties in this Court, the current pleadings before the Court of the respective parties were the amended complaint of Solex and Plastic (Ex. KK-1), the amended and supplemental answer and counterclaim of Defendants Butterfield and Butterfield & Son (Ex. KK), and the answer to counterclaim of Plastic and Solex (Ex. KK-2). The case was never tried on the merits and there was never any adjudication in contested proceedings between the parties of the issues raised in the pleadings except to the extent that this Court held a hearing on the merits of Butterfield's motion for temporary injunction and issued its temporary injunction after opinion and findings in October, 1961,

this temporary injunction and the opinion and findings having been previously described.

20. At the time of the settlement of the former action the current pleadings before the Court did not tender any issue as to the validity, either under the anti-trust laws or otherwise, of the royalty base then in use by Plastic under its license agreements of the type exemplified in Form 8, Ex. 46, being the form now in use by Plastic. The pleadings likewise tendered no issue as to the validity or existence of any conduct by Plastic in interpreting or seeking to apply in the trade the scope of said royalty base as it may have applied to unpatented, unfinished and uncut pieces of plastic material or to non-Tuohy-type lenses. The pleadings did not tender any issue as to the proper interpretation of the form of license agreement then in use by Plastic, with respect to said royalty base, as to whether it did or did not apply to uncut, unfinished or non-Tuohy-type pieces of plastic material.

21. The former litigation between the parties was settled by a duly entered consent judgment (Ex. 1), a filed stipulation of facts and matters (Ex. 2), a filed stipulation for dismissal of counterclaim (Ex. A), and an unfiled settlement agreement (Ex. 3). The consent judgment was entered May 10, 1962, and the stipulation of facts and matters on which it was based, as well as the unfiled settlement agreement, were dated April 24, 1962.

Pre-Trial Order, Admitted Fact 8, R. pp. 46-47.

22. The entered consent judgment, in pertinent part, provides:

"IT IS HEREBY ADJUDGED AND DECREED as follows:

1. Plaintiff-counterdefendant The Plastic Contact Lens Company is an Illinois corporation having its principal place of business in Chicago, Cook County, State of Illinois.

2. Plaintiff-counterdefendant Solex Laboratories, Inc., was, up to May 12, 1961, a California corporation, having its principal place of business in Los Angeles, County of Los Angeles, State of California.

3. On or about May 12, 1961, plaintiff-counterdefendant The Plastic Contact Lens Company, became successor in interest to and caused said Solex Laboratories, Inc. to be dissolved and assumed all rights and obligations of said Solex Laboratories, Inc. arising out of this action.

4. Defendant-counterclaimant George H. Butterfield, Sr., is a resident of Portland, Multnomah County, State of Oregon.

5. Defendant-counterclaimant Geo. H. Butterfield & Son is an Oregon corporation, having its principal place of business in Portland, Multnomah County, State of Oregon.

6. This Court has jurisdiction over the parties and the subject matter of this action.

7. Plaintiffs' complaint is dismissed with prejudice as to the defendant George H. Butterfield, Sr.

8. Counterdefendant The Plastic Contact Lens Company is a licensee under U. S. Letters Patent in suit No. 2,544,246.

9. Defendant Geo. H. Butterfield & Son is a licensee under U. S. Letters Patent in suit No. 2,510,438.

10. U. S. Letters Patent in suit No. 2,510,438 are good and valid in law as between plaintiffs and counterdefendant Geo. H. Butterfield & Son.

11. United States Letters Patent in suit No. 2,544,246 are good and valid in law as between counterclaimant George H. Butterfield, Sr. and the plaintiffs-counterdefendants.

12. Within six (6) years immediately preceding May 12, 1961, said counterdefendant Solex Laboratories, Inc., infringed U. S. Letters Patent No. 2,544,246 and counterdefendant The Plastic Contact Lens Company has made full settlement of and for damages suffered by counterclaimant George H. Butterfield, Sr. from and by virtue of said infringement.

13. All matters of costs, attorneys' fees and all other financial recoveries involved in or arising out of this action have been settled and satisfied out of court by and between the parties and the parties have waived judgment therefor.

14. The parties having waived injunctive relief, no injunctive relief is granted by this judgment.

15. The injunction pendente lite which has been issued out of and under the seal of this Court against plaintiffs-counterdefendants pursuant to the Court's order of September 19, 1961, is hereby dissolved and the surety bond posted as security therefor by defendant-counterclaimant George H. Butterfield, Sr. is hereby exonerated and released."

Ex. 1.

23. The stipulation of facts and matters which was filed in court as a basis for the entry of the consent judgment, so far as here material, contained provisions coincident with the above provisions of the consent judgment. The only relevant additional matters provided for in it were:

(a) That Butterfield and Butterfield & Son should dismiss with prejudice all counterclaims set forth in the amended and supplemental answer and counterclaim except the counterclaim for infringement of the Butterfield Patent.

Par. 2.

(b) That Butterfield, the individual, has not infringed the Tuohy Patent.

(c) That by license agreement between Plastic and Butterfield dated May 6, 1960 (Ex. 71), Butterfield granted a license to Plastic under the Butterfield Patent, that said license agreement has been and still is in full force and effect and that, therefore, no judgment for infringement should be entered in favor of Butterfield against Plastic for infringement by Plastic of Butterfield's Patent other than for the infringement of said Patent by Solex prior to May 12, 1961.

These added matters appearing in the stipulation taken together with the consent judgment are of significance in considering the contentions of the parties with respect to the scope of the Butterfield Patent as related to the Tuohy Patent. The consent judgment and stipulation recognized that substantial infringement of the Butterfield Patent had been made by Solex.

24. The unfiled settlement agreement (Ex. 3), except for the formal dismissal of the counterclaim of Butterfield and the corporation, Butterfield & Son, completes the important settlement documents. Its provisions, so far as here relevant, were as follows:

(a) Provision is made in the agreement for the precise form of stipulation of facts and matters and consent judgment to be presented to the Court. The forms attached to the agreement are identical with those filed and entered in court.

Par. 1.

(b) That Solex has infringed the Butterfield Patent and as settlement for damages suffered by Butterfield from such infringement Plastic:

(i) Releases any claims against Butterfield or Butterfield & Son for infringement of the Tuohy Patent;

(ii) Conveyed to Butterfield the right to grant Butterfield & Son a royalty-free license under the Tuohy Patent;

(iii) Conveyed to Butterfield the right to grant royalty-free Tuohy licenses to Butterfield licensees, Titmus, Rogers, Sloan and Utah Optical;

(iv) Agreed to dismiss with prejudice the pending actions by Plastic against the Butterfield licensees, Titmus and Rogers; and

(v) Agreed to pay to Butterfield the sum of $6,000.00. (This latter sum is clearly allocated in the settlement agreement to the part payment of infringe-

ment damages suffered by Butterfield from infringement by Solex.)

Par. 2.

(c) Plastic further agreed, as part of the settlement above set forth for Butterfield's infringement claims against Solex, to pay the sum of $60,000.00 in three installments, two in 1962 and the balance January 2, 1963. (This $60,000.00 sum is separate from and in addition to consideration to be paid by Plastic for infringement of the Butterfield Patent.)

Par. 3.

(d) That nothing contained in the settlement agreement should prevent either Plastic or Butterfield from soliciting licensees of the other or from bringing suit against such licensees for infringement of their respective patents.

Par. 4.

(e) Butterfield gave to Plastic the right to grant to a Plastic licensee, Ocular Products, Inc., of Seattle, Washington, a royalty-free license under the Butterfield Patent.

Par. 6.

(f) Butterfield and Butterfield & Son shall file a dismissal with prejudice of their counterclaims except the second counterclaim seeking damages for infringement of the Butterfield Patent.

Par. 7.

Each party thereby released "any and all claims or causes of action which he or it has or may have against

each of the other parties arising out of the action or the subject matter of the action."

Par. 8.

25. All sums required to be paid by Plastic under the terms of the settlement agreement of April 24, 1962, have been paid.

26. Issues No. 1 and 2 herein as set forth in the pre-trial order require a determination as to what, if any, issues involved in the present action between the parties were finally terminated by the settlement of the former action in the manner heretofore set forth. None of the issues presented in the pre-trial order, either under the statement of Plaintiff's contentions, Defendant's contentions with respect to Plaintiff's claims, or under the statement of the issues to be tried could have been affected by the settlement of the former action so as to bar Butterfield herein.

Defendant's contentions with respect to Plaintiff's claims, Pre-Trial Order, Contention No. 5, R. p. 63.

27. None of the Plaintiff's contentions herein or the issues to be tried involving Plaintiff's contentions, as set forth in the pre-trial order, were terminated or barred by the settlement and final termination of the previous litigation between the parties, including specifically, but not limited to, any contentions of the Plaintiff or issues formulated thereon dealing with the subject matter of the royalty base sought to be enforced by Plastic against its licensees as including lenses consisting of unpatented, uncut or unfinished lenses or finished lenses not made in

accordance with the teachings of the Tuohy Patent.

Among the more detailed evidence, considerations and reasons leading to the Court's above ultimate finding are the following:

(a) Plastic's conduct with respect to the application and enforcement of its royalty base pertained only to acts and conduct of Plastic occurring subsequent to the date of the settlement. There was no evidence whatsoever that Plastic had interpreted or sought to enforce its current forms of license agreement against its licensees so as to cover any devices or lenses other than Tuohy lenses prior to the time of the settlement.

(b) Plastic admitted at the trial of the case in chief that it now construes, enforces and seeks to enforce its current license agreements to require payment by its licensees on unfinished and uncut lenses, both of which are unpatented, and on finished Butterfield and other type of non-Tuohy lenses, and that in its dealings with the trade it makes these requirements both by demand upon its licensees and by litigation filed against them covering royalties on such a broad non-Tuohy base.

Plastic's answers to Plaintiff's second interrogatories 5 and 6, Ex. 6; Wesley Deposition, pp. 84-6, 118, 132-3, 115 (Ex. 12); Admissions of Plastic's counsel during trial, Trial Record, p. 113; The following illustrative items of correspondence between Plastic and its licensees, including Exs. 20, a, b, c, 21 a, b; Plastic Royalty Report Form, Ex. 76.

(c) However, there is no evidence that any of the foregoing concerned enforcement activities of Plastic in the application of its royalty base prior to the time of the settlement of the former action.

(d) The supplemental answer and counterclaim of Butterfield in the former action did not challenge the validity of the Plastic royalty base as recited in its license agreements or Plastic's enforcement of that Royalty base in the broad sense now under consideration in any respect but was limited to charges of extended and unjustified claims by Plastic as to the pretended broad scope of the Tuohy Patent itself as covering all finished corneal contact lenses made under the teachings of other patents, such as the Butterfield Patent.

See supplemental answer and counterclaim of Butterfield in former action, Ex. KK.

(e) The proper construction of the current Plastic license agreement with respect to the royalty base therein provided was not an issue in the former case and there is no evidence from Defendant or otherwise that it was in any manner before the Court either under the pleadings or the settlement agreement or the consent judgment or stipulation.

(f) The agreement between Plastic and its licensees is somewhat ambiguous, with respect to its royalty base, but, when properly construed, does not call for the payment of royalties on devices other than Tuohy-type lenses. The word "devices" as used in paragraphs 1 and 2 of the current license agreement (Form 8, Ex. 46) is limited to Tuohy-type lenses, which the license particu-

larly covers as more fully set forth in paragraph 1 of the license agreement. The word "devices" as it appears in the royalty base provision in paragraph 2 is not enlarged to cover unpatented, unfinished or uncut pieces of lens material or non-Tuohy patent items despite some rather broad language in paragraph 2. Because of the Court's later factual and legal conclusions that a broader interpretation and application of the royalty base are illegal as violations of the anti-trust laws, restraints on trade and unfair competition, the Court adopts a construction of this instrument which renders it legal and valid, rather than illegal (a construction always to be preferred), and further adopts another cardinal rule of contract construction by construing the agreement most strongly against the party who caused the document to be prepared and placed in circulation.

(g) The current form of Plastic license agreement, not having been enforced by Plastic according to any evidence before this Court is an illegal or improper manner by covering non-Tuohy-type devices in its royalty base, prior to the settlement, there is no justification for any finding that the issue as to a royalty base covering non-Tuohy-type or unpatented items either was or might have been involved in the former settlement.

(h) Assuming for purposes of argument only that there was any evidence in the current case that Plastic, prior to the settlement, was seeking to enforce a broader royalty base, covering unpatented or non-Tuohy-type devices (this being evidence which Plastic was required to produce in this case, in order to support its conten-

tion of res adjudicata or settlement), such evidence would not change the result in view of the clearly established circumstances in the present record that the conduct of Plastic in this respect was repeated and continuing in nature so that the settlement agreement and any provisions of the consent judgment applied only to damages and wrongs sustained by Butterfield from such supposed activity or from such broad royalty base provisions as may have occurred prior to the entry of the consent judgment and prior to the exchange of mutual releases under the settlement agreement.

(i) In the case of continuing or repeated wrongs or torts of the type involved under the Plastic license agreement or Plastic's acts thereunder, neither the settlement agreement nor the consent judgment affected anything except Butterfield's claims because of wrongs in this area committed prior to the time of the settlement. Both the stipulation of facts and the consent judgment bearing the approval of the parties expressly set forth that the parties had waived any rights for injunctive relief and that no injunction of any kind was sought or obtained. No provision of the settlement agreement or the consent judgment or filed stipulation attempted to validate, for the future, any of the acts or rights of the parties as they might have existed prior to the settlement except for the clearly stipulated provisions that both the Tuohy Patent and the Butterfield Patent should be recognized as valid, for purposes of the future relations of the parties, and that nothing in the settlement should prevent one party from soliciting the

other's licensees or suing the other's licensees for infringement. Except for these latter provisions there is nothing in any of the settlement documents or the consent judgment which operated prospectively on any of the conduct of the parties or their status or relationship as it might have theretofore existed. The Court therefore finds that there was no intent in either the consent judgment or any of the settlement documents to release, bar or approve, for future purposes, after the date of the settlement, either Plastic's conduct in asserting and enforcing a broad royalty base or a broad royalty base if properly provided for in the Plastic license agreements.

(j) The foregoing reasoning and facts apply equally even though the current Plastic license agreement, properly interpreted, provides for royalties on unpatented and non-Tuohy lenses. It was not intended by the parties to the settlement of the former action or by the consent judgment to validate prospectively the broad contractual royalty base contended for by Plastic since the settlement of the former action.

(k) The broad royalty base contended for by Plastic under its current license agreement, in any event, whether this rests on a misinterpretation or misapplication of the agreement by Plastic or by the correct application of contract terms, as applied to the facts in this case, is violative of the anti-trust laws, is an invalid restraint on trade and constitutes unfair competition. The detailed reasons for these ultimate findings will be later set forth and are, in the interests of brevity, here

incorporated by reference. Under the settlement agreement of the parties and the consent judgment, viewing it as a contract or a series of contracts, the parties were legally incapable of giving their approval to the executory portion of an illegal contract or illegal acts to be committed by Plastic thereafter, and the consent Judgment, properly construed, contains no adjudication whatsoever, including the order for dismissal of Butterfield's counterclaim in the former action, placing judicial approval on such an illegal contract or conduct.

(l) The wrongs of which Butterfield presently complains in his contentions are not the same as Plastic's conduct in the form of its enforced or contractually provided broad royalty base because this base has been combined with other wrongs all occurring since the time of the former settlement, thus giving rise to an entirely new tort or series of torts, so that the presently contended for wrongs are in no manner the same as the tort of the broad royalty base which Plastic contends was barred by the former settlement. As previously set forth, Plastic's application of its broad royalty base has not only been continuous subsequent to the time of the settlement, but also it has been combined with the claimed improper use of offers of indemnity against infringement of the Butterfield Patent, made by Plastic to its licensees, a course of instituted and threatened coercive litigation and misrepresentations to the trade, all designed, in combination with the royalty base, do damage Butterfield in the furtherance of his licensing program under his own competing patent. The specific situation involving the broad royalty base asserted by

Plastic cannot, therefore, be considered out of context with the other claimed illegal activities now contended for by Butterfield. If the combination of all of those elements gives rise to a new tort it is obviously not the same as that which Plastic contends might have been before the Court at the time of the last settlement. Therefore, consideration of this element as a basis for a possible new tort or series of torts committed against Butterfield by Plastic is not barred or foreclosed either by the settlement agreement or the consent judgment.

28. Corneal contact lens manufacturers in the United States, including Plastic licensees, in addition to manufacturing and selling complete and finished corneal contact lenses, also partially fabricate and sell to lens fitters and dispensers unpatented pieces of lens material known in the trade as "unfinished" and "uncut" devices which the purchasing fitters and dispensers use in, themselves, fabricating complete and finished corneal contact lenses. These fitters and dispensers fabricate said devices into finished corneal contact lenses having any desired diameter and curvature relationship to the patient's cornea, whether it be in accordance with the Butterfield Patent, the Tuohy Patent, or any other patent, and such unpatented pieces of lense material constitute a substantial part of the commerce between the several states of the United States.

Wesley Deposition, Ex. 12, pp. 10-11; Butterfield Tr. 278-80.

29. As previously set forth in Finding 27 (b), it was

clearly established in the evidence that after the settlement of the former action between the parties Plastic has consistently, in its dealings with its own licensees, who are prospective Butterfield licensees, sought to require them and did in fact require them to pay royalties under their license agreement on non-Tuohy-type lenses and on unpatented, unfinished and uncut lens devices. Plastic threatens to continue such practice.

30. For the purpose of exacting unjustified royalties on unfinished and uncut lenses and on non-Tuohy lenses, Plastic has filed and maintained and is threatening to file and maintain court actions against its licensees. Included in such court actions which are currently pending and being maintained are the following against its licensees who are also licensees of Butterfield:

> The Plastic Contact Lens Company, a corporation, vs. Richard Hunt, Marco Lens Co., a corporation, et al, Civil Action No. 528,952 in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 60.
>
> Wesley-Jassen, Inc., a corporation, and the Plastic Contact Lens Company, a corporation, Plaintiffs and Cross-Defendants; vs. Con-Cise Lens Co., Defendant and Cross-Complainant, Civil Action No. 528,422, in the Superior Court of the State of California in and for the City and County of San Francisco, Ex. 137-B.

31. At the time of the trial of the principal case Plasic had acquired a total of approximately 160 to 165 licensees, and of these, at the time of trial, approximately 135 represented apparently valid, active, outstanding li-

cense agreements, not represented by cancellations or terminations because the licensee had gone out of business or because of similar reasons. Practically all of the present Plastic license agreements are the same or substantially the same as Form 8 of Ex. 46, previously referred to, containing a royalty base which Plastic claims covers all devices, whether or not Tuohy devices.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Pre-Trial Order, Admitted Fact 7, R. p. 46; List of Plastic's active licensees with date they signed license agreement, Ex. 109; List of Plastic cancellations, Ex. 123.

32. Plastic has consistently been collecting payments of royalties on this basis from its licensees in substantial amounts, as evidenced by Ex. 121, containing a breakdown of the Plastic royalty revenues by periods. This Exhibit shows that Plastic, subsequent to April, 1962, has collected at least $459,314.00 in royalties from its licensees calculated on this basis. There is no direct evidence in the record from which a determination can be made as to the approximate amount of these royalties which were calculated on pure Tuohy-type lenses and the amounts which were derived from royalties on unpatented, unfinished, uncut or non-Tuohy type lenses. Ex. 7.

33. There are more than 300 manufacturers of plastic contact lenses in the United States.

Pre-Trial Order, Admitted Fact 6, R. p. 46; Partial list of names of contact lens manufacturers in the United States, Ex. 132.

34. At the time of trial Butterfield held approximately 35 licenses from manufacturers and of these about 20 held licenses under both patents.

Pre-Trial Order, Admitted Fact 6, R. p. 46.

35. Of the total number of Butterfield licensees, 12 were in existence at the time of the settlement of the former action, he had acquired 12 additional licensees up to the time Plastic sent out to the trade its form letter offering special indemnity against claims for infringement of the Butterfield Patent (Letter, Ex. 54; form of indemnity agreement with list of signers, Ex. 75), and 10 licensees since the time of this offer of indemnity on December 10, 1962. The last licensee obtained by Butterfield, despite solicitation efforts by him, was under date of August 15, 1963, and the last group of licensees acquired by him were small in volume and did not substantially affect his royalty revenues.

Butterfield, Tr. 165-6; List of Butterfield licensees showing dates he first obtained license agreement, Ex. 73; List of Butterfield licensees who have ceased paying royalties, Ex. 74; Graph and schedule showing receipts by Butterfield from license agreement; Ex. 118.

36. The Plastic Contact Lens Company has its principal office and manufacturing establishment in Chicago, Illinois, has 24 branches throughout the United States, and competes with its own licensees in the field of manufacturing and sale of contact lenses as well as with other unlicensed manufacturers in this same field of activity.

Deposition of Wesley, Ex. 12, pp. 12-13, 16-18.

37. The manufacture and sale of contact lenses is highly competitive and the evidence shows that the constant trend since April, 1962, in the prices charged by manufacturers is downward so that the prevailing prices are approximately $3.00 per uncut lens and $3.75 per finished lens.

Butterfield, Tr. 276, 281-2; Dippery, Tr. 207; Conlogue, Tr. 310-313; Exs. 80-A, 80-B; Price lists covering manufacturers' prices on lenses. Ex. 124.

38. The prevailing license rate per lens under the Plastic licensing system is 50 cents per lens or per unpatented piece of lense material, and the prevailing Butterfield rate is slightly less than this amount.

See current Plastic license agreements, Form 8, Ex. 46; See forms of Butterfield license agreements, Ex. 117, some of which contain unitary royalty provisions at 50¢ per lens, and "paid-up" royalty at a flat monthly rate calculated as described by Butterfield (Tr. 284-6) as 37½¢ per lens.

39. The ordinary manufacturer with the low sales price of his lenses, whether Tuohy or Butterfield or some other type, cannot afford to pay double royalties amounting to $1.00 a lens or slightly less than that figure, without serious economic stress. This stress becomes much greater when royalties in similar amounts are exacted by Plastic from its licensees on unpatented, unfinished and uncut lenses which they may handle and which will not be made into Tuohy-type finished lenses but which will be completed in accordance with the teachings of the Butterfield Patent.

40. The commerce in the manufacture and sale of contact lenses and the competing licensing systems of the parties to this case is interstate in character and interstate commerce is directly and substantially affected by it.

Butterfield, Tr. 365.

41. That licensees of Plastic, comprising a substantial part of Butterfield's potential market for his license agreements, objected to and could not afford to pay double royalties on either finished or unpatented unfinished lenses, including lenses of the Butterfield type, was clearly established by numerous items of correspondence in the record and by the testimony of witnesses. What is even more significant is that this evidence, all of which was offered by Butterfield, was in no manner controverted or challenged by any evidence offered by Plastic.

Butterfield, Tr. 185, 188, 190, 269, 351; Conlogue, Tr. 310-312; Dippery, Tr. 207; See the following correspondence between Plastic and its licensees and Butterfield and his licensees or potential licensees; Corresp.—Acon Laboratories, Exs. 81A-B, 23a, b; Conlogue (Procon), 80A-B; Tanco, Ex. 88-B, Ex. 30; Bell Optical, Denver, Ex. 91B, Ex. 29; Spokane Optical, Ex. 17A, B, C; Dr. Robert Shumate, Ex. 18A, B.

42. At the time of the settlement and termination of the prior litigation, and by correspondence immediately thereafter with Plastic's attorneys, Butterfield and his attorneys attempted to have Plastic join with Butter-

field in publishing to the trade a joint statement describing the terms and conditions of the said settlement and termination, which attempts were rejected by Plastic and its attorneys. In this correspondence, the attorneys for Butterfield and Plastic agreed that the Consent Judgment and the Stipulation of Facts and Matters on file with the Court should be made known to the trade, but that the terms and conditions of the Settlement Agreement, which was not filed, should not be made known to the trade. In the conduct of his licensing program since said settlement, Butterfield and his attorneys have conformed to said agreement and did not make the Settlement Agreement known to the trade until after Plastic had done so in the Fall of 1962.

Deposition of Wesley, pp. 50-54, Ex. 12; Mason, Tr. 503-4; Correspondence between Mason and Van Sciver from May 16 to May 25, 1962, inclusive, Ex. 47-52, inclusive.

43. During the period from April, 1962, up until December 10, 1962, when Plastic made its widespread offer of indemnity to its licensees against claims for infringement under the Butterfield Patent, Butterfield was actively out in the field soliciting license agreements from both Plastic licensees and others. During this period he made significant, though not outstanding progress, and, as stated previously, obtained approximately 12 new licensees. During this time he repeatedly met with statements and communications from manufacturers interviewed that they were making a Butterfield-type lens with the qualities and characteristics previously described in these Findings but that they would

not or could not pay double royalties on Butterfield lenses. In many instances Butterfield failed to obtain license agreements after meeting a response of this kind. In most instances Butterfield or others on his behalf either viewed the lenses in question or obtained samples to satisfy themselves that a prospective licensee was actually making or handling Butterfield-type lenses.

Butterfield, Tr. 171, 173, 183, 185, 186, 188, 190, 192, 264, 269 344, 345, 351; Dippery, Tr. 205, 208, 234, 222, 235, 237; Conlogue, Tr. 310, 315, 320; See also Exhibits: Dippery Report of Oct. 11, 1963, Ex. 84A; Vision Clear Correspondence, Ex. 41-41E; Northwest Northern Dealings, Ex. 83-83R; Rich-Tint Dealings, Ex. 87A-C.

44. During this same period, substantial numbers of prospective licensees of Butterfield were making the Butterfield-type of lens and there was a substantial demand in the manufacturing and fitting trade for a Butterfield-type lens. Several manufacturers were called by Butterfield who testified to the substantial use of Butterfield lenses in their own operations and described the type of lens they deemed to comply with the teachings of the Butterfield Patent. No contrary witnesses or evidence were offered by Plastic.

Conlogue, Tr. 315, 320; Dippery, Tr. 208; Satterlee, Tr. 462-3; Butterfield, Tr. 171, 173, 185, 264-6, 351, 391-2.

45. It is clear from the same portions of the record that large numbers of manufacturers who held Plastic licenses under the Tuohy Patent and who were paying

on the basis of Plastic's claimed broad royalty base, admitted that they were making a Butterfield-type lens but declined to deal with Butterfield, nevertheless.

46. On October 25, 1962, Plastic sent out to all of its licensees a form letter (Ex. 53) purporting to explain the settlement it had made with Butterfield in the preceding April, after a lapse of some six months during which it had been attempting to keep its licensees in line on its broad royalty base. After referring to the settlement, and without describing it, this letter in substance stated:

(a) That Plastic had "recently settled" its patent litigation with Butterfield. In fact this settlement had been made more than six months before in April of 1962.

(b) A settlement was reached with Butterfield to avoid further expenses of litigation and exposure to the risks of litigation.

(c) Plastic was fully released by the settlement "from all claims alleging infringement of the Butterfield Patent."

No statement was made that Butterfield or Butterfield & Son were similarly released, no statement was made that Solex had been found guilty of infringing the Butterfield Patent and that Plastic had agreed to pay Butterfield for this infringement. Furthermore, Plastic failed to state that it already held a Butterfield license which protected it from infringement claims, so that a release was unnecessary.

(d) That as consideration for Plastic's release by

Butterfield, Plastic had given the right to Butterfield to grant to Butterfield & Son and to four other Butterfield licensees licenses under the Tuohy Patent.

(e) That these Butterfield licensees, Titmus, Rogers, Southern Contact Lens and Utah Optical, were thus included in the settlement arrangement "because the Butterfield interests had indemnified them against liability arising from their infringement of the Tuohy Patent."

Ex. 117, Butterfield, Tr. 433-5.

(f) There is a failure to point out that Solex was determined in the settlement to have infringed the Butterfield Patent. No explanation is made in the letter that both parties recognized the validity of the other's patent, that Plastic already held a Butterfield license agreement, and that each party recognized the right of the other to solicit one another's licensees and bring infringement actions against them. To a trade, then under active solicitation by Butterfield, the omissions of these material facts could not have resulted in anything except severe detriment to Butterfield in his solicitation efforts.

(g) That the settlement with Butterfield did not constitute the granting of a license under the Tuohy Patent "upon terms and conditions more favorable" than those provided in the Plastic standard license agreement.

Plastic license agreement, Form 8, Ex. 46, p. 6.

The foregoing form letter, by its omission to state many material facts concerning the settlement, sent

out as it was some six months after the settlement, was obviously deceptive and designed to cause Butterfield difficulties in the promotion of his licensing program which, by contract, specifically included permission to solicit Plastic licensees.

47. In the period prior to the form letter of October 25, 1962, the correspondence files of Plastic with several of its licensees and their counsel deal with the subject of whether or not the Butterfield settlement, by extending Tuohy licenses to five Butterfield licensees, invoked the operation of Plastic's most favored nation clause.

See the following items of correspondence: Mueller-Welt, Ex. 22a, b. c; Univis, Ex. 25a-e, 69; Precision Cosmet, Ex. 26a-d; Kontur Contact, Ex. 27-27c; Contact Lens Guild, Ex. 32; Conforma (Goldberg), Ex. 33-4.

(a) While Plastic may have had some reason for sending out the letter of October 25, 1962, because of possible difficulties over the most favored nation clause, it had no right to misrepresent to the trade, mainly by concealment and non-disclosure of relevant terms, significant and compelling circumstances of the settlement. It assumed the burden of explaining the settlement and did so in a manner which could only have been detrimental to Butterfield.

(b) Some correspondence between Plastic and at least one of its licensees in the period prior to October 25, 1962, shows that Plastic did disclose certain of the terms of the unfiled settlement agreement, and the letter of October 25, 1962, is a partial disclosure, at least,

of the terms of this unfiled settlement document.

Ex. 69—letter of August 3, 1962, Van Sciver to Biebel.

(c) Butterfield did not make public the terms of the unfiled settlement agreement until after said terms were made public by Plastic, and both Mason and Butterfield recognized that, during the settlement discussions in April, 1962, there was an understanding that the unfiled provisions of the settlement agreement should not be made public.

Ex. 47, 49 (Correspondence — Mason and Van Sciver); Butterfield, Tr. 445; Mason, Tr. 504.

(d) That the letter of October 25, 1962, purported to be a full and fair explanation of the circumstances and facts of the Butterfield settlement is clear. In the opening paragraph of Plastic's circular letter of December 10, 1962 (Ex. 54) to its own licensees offering them indemnity against claims for infringement of the Butterfield Patent, it stated that, "under date of October 25, 1962," it wrote to its licensees "advising them of the circumstances under which the Plastic Contact Lens Company recently settled its patent litigation with George H. Butterfield, Sr., and his company."

48. On December 10, 1962, Plastic sent out to its licensees the previously mentioned circular letter (Ex. 54) offering indemnity against infringement of the Butterfield Patent. The form of indemnity agreement (Ex. 75) was enclosed. These letters and indemnity forms were sent to all Plastic licensees and, as of the date of trial, approximately 40 of such licensees had accepted the

offer and executed the indemnity form. A few of those who signed included Butterfield licensees, and the offer of indemnity was obviously made to any Butterfield licensee who also held a Plastic license.

Pre-Trial Order, Admitted Fact 10, R. p. 47; Letter offering indemnity, Ex. 54; Indemnity agreement with list of signers, Ex. 75; Plastic's answers to Interrogatories Nos. 1, 2, 3, 4, 6 and 10 to Plaintiff's Second Interrogatories, Ex. 6.

49. Since the offer of indemnity by Plastic, Butterfield has obtained only 10 additional licensees, all small in number, the last being obtained August 15, 1963. During this time Butterfield continued his efforts.

Butterfield, Tr. 165-6; List of Butterfield License agreements and dates, Ex. 73; Dippery, Tr. 207, 209-10; Ex. 84A; Statement of Butterfield royalty revenues, showing no substantial increase since this date, Ex. 118.

50. At or about this same time Plastic entered into a program of litigation against certain of its non-paying licensees who had either had dealings with Butterfield over a license agreement or had obtained a Butterfield license agreement, designed to coerce and restrain not only the sued Plastic licensees but other Plastic licensees from dealing with Butterfield, under the threat of litigation which would involve not only the amount of unpaid royalties but conspiracy damages for alleged activities in dealing with Butterfield to damage and injure the Plastic licensing system. These actions included an action against Security Contact Lens of Los Angeles in the California state court (Complaint, Ex. 58), an ac-

tion against Midwest Scientific Co. of Chicago, in the Illinois state court (see conspiracy charges in supplemental complaint and second supplemental complaint, Ex. 61 and 62), an action against Mueller-Welt (Ex. 100), and an action against Con-Cise Lens Co. of San Francisco, in the California state court at San Francisco against Marco and Hunt, both being licensees of Plastic and of Butterfield, also naming Mason, Butterfield and Butterfield & Son as defendants (Ex. 60). In all but one of these actions a count or allegations appear charging that the defaulting Plastic licensee has conspired with Butterfield and his attorneys to damage the Plastic licensing system, and recovery is asked not only for defaulted royalty payments but for substantial sums as conspiracy damages. In the Mueller-Welt case, conspiracy is charged, but the conspirators are not named.

Ex. 137b.

51. The litigation previously described was wholly groundless and, in view of its coordination with the other activities of Plastic in these Findings described, was brought for the wrongful purpose and effect of inducing persons in the trade not to deal with Butterfield.

(a) The litigation against Security Contact Lens Company in Los Angeles was finally terminated by settlement with a dismissal of the action at law and counterclaim by agreement of the parties with prejudice and without costs (Ex. 119). Despite the allegations of defendant's counterclaim, in the instant case, concerning alleged conspiracy and intermeddling by Butterfield

and his attorneys, there was no evidence whatsoever of any connection between Butterfield or any of his attorneys with Plastic's licensee, Security Contact Lens, and the only evidence on this subject was from Mason and Butterfield who completely negatived any dealings upon which such charges might have been based.

Mason, Tr. 490; Butterfield, Tr. 189-90.

(b) The Mueller-Welt conspiracy charges were groundless.

Mason, Tr. 497-8; 556; Butterfield, Tr. 190-1.

(c) As to the litigation against Midwest Scientific Company in Chicago, the only evidence is that of Butterfield and Mason, and both of these witnesses established that no improper relations of the type claimed by Plastic took place. This action was against a non-licensee of Plastic when Plastic's supplemental complaint charging conspiracy was filed and involved an issue as to the validity of the Tuohy Patent. Butterfield had no dealings with Midwest Scientific Company except to obtain a license agreement, while the litigation was pending. Mason was retained by Midwest as its patent attorney in the Midwest case and first appeared in the case in July, 1962.

Butterfield, Tr. 176-7, 354, 363; Mason, Tr. 486; Notice of Mason's formal appearance in case (Ex. 139).

(i) Mason's relationship was solely with Midwest, his activities as an attorney at law were directed toward issues of validity and infringement of the Tuohy

Patent, and his bills were rendered to and paid by Midwest. Butterfield had no part in their payment and played no part in the employment of Mason.

Mason, Tr. 488-9; Butterfield, Tr. 176-7, 354-6.

(ii) Mr. Patrick Ford, then an office employee in the Portland office representing Butterfield, Pendergrass, Spackman, Bullivant & Wright, played a limited part in this case by arranging depositions for and at the request of Mason, in the northwest, of individuals possibly saving knowledge as to some of the prior art in the contact lens field, which might have a bearing on the validity and scope of the Tuohy Patent. Neither this law office nor Mr. Ford played any other part in this litigation, Butterfield had no connection with the arrangement, and Mr. Ford's firm's bill was paid directly by Mason who, in turn, was paid by Midwest.

Mason, Tr. 488-9; Butterfield, Tr. 363-4; File of correspondence involving attorney Ford's activities, Ex. 97 through 97a to 97-1, inclusive; Paid statement of Pendergrass, Spackman, Bullivant & Wright, August 31, 1962, *Solex* v. *Midwest,* Ex. 134.

(iii) Plastic introduced no evidence whatsoever of any improper connection or dealings concerning this litigation. This litigation terminated in a settlement made after Mason's withdrawal.

Mason, Tr. 488; Ex. 120 for settlement agreement.

(d) The evidence concerning the litigation between Con-Cise and Plastic is equally lacking in any plausible basis for any charges of improper cooperation

or conspiracy between Butterfield and his attorneys on the one hand and Con-Cise, a Plastic licensee, on the other.

(i) Mason was retained in this case at the request of Mr. Tiret, an executive of Con-Cise, on or shortly prior to September 27, 1962.

Formal notice of association of Mason as attorney in case, September 27, 1962, Ex. 138; Tiret, Tr. 426-7; Mason, Tr. 491-2.

(ii) In the pleadings in that case, Mason, as associate counsel, filed pleadings challenging the validity of the broad Plastic royalty base.

Pleadings in *Plastic* v. *Con-Cise* Ex. 137 b.

(iii) Tiret's company, Con-Cise, had a royalty agreement with Plastic which went into default before the settlement agreement of April, 1962, and Tiret's company entered into a license agreement with Butterfield subsequent to the settlement. Mason, Butterfield and Tiret all testified fully concerning the circumstances of this relationship and there is no evidence whatsoever of any improper dealings by Butterfield or his attorneys concerning the defaults by Con-Cise in their Plastic license agreement or of any activity designed to damage the Plastic licensing system.

Mason, Tr. 493; Butterfield, Tr. 363; Tiret, Tr. 425, 427; Tiret Deposition, Ex. 146 (in *Plastic* v. *Hunt, et al*), p. 9, line 20 to p. 11, line 13; See also deposition of Marlin D. Parker, Ex. 103, formerly an executive of Con-Cise during the time of its dealings with Plastic

and Butterfield, showing clearly the absence of any foundation for charges of conspiracy or improper dealing; p. 23, line 18, to p. 24, line 21, p. 43, lines 11 to 19; p. 44, line 10, to p. 45, line 4.

(iv) There is correspondence indicating that someone in the trade felt that there should be trade contributions toward litigation costs in the Con-Cise litigation, but there is no evidence whatsoever of any trade contribution to Mason's fees, and Mason testified that he did not authorize such efforts (but Parker's deposition states that Mason said that "it would be okay to write such a letter"), and that he had received only $600.00 in fees from Con-Cise, all paid by Con-Cise itself.

See part of Ex. 103, letter, Parker to Hunt, Tr. 519; See part of Ex. 59, letters, Tabin to Breger, January 3, 1963, Breger to Goldberg, January 9, 1963; Mason, Tr. 493, 517-37, 555-6; Tiret Deposition, Ex. 146, p. 11, lines 4-13; p. 16, line 19 to p. 18, line 22; Parker Deposition, Ex. 103, p. 35, line 7 to p. 41, line 21; p. 45, line 5 to p. 46, line 2; p. 48, lines 8-10.

(e) The Plastic licensees involved in the San Francisco litigation by Plastic in which Butterfield, Mason, and Butterfield & Son were also named as defendants were Hunt and Marco. Both of these were also licensees of Butterfield.

Pleadings in *Plastic* v. *Hunt*, Ex. 60; File of Butterfield licensees, Ex. 73; Butterfield, Tr. 356; Boyle, an executive of Marco, called as witness,

Tr., 244; Boyle deposition, p. 15, lines 16-25; p. 40, lines 6-21; and Ex. 101a to 101w, inclusive, the exhibits being a part of the Boyle deposition; Hunt deposition, p. 12, lines 1-9; p. 17, lines 16-19, Ex. 149.

(i) Butterfield had no dealings with Hunt whatsoever except to enter into a license agreement with him under the Butterfield Patent and subsequently had to sue Hunt under the license agreement for unpaid royalties. This action by Butterfield against Hunt was filed some time ago and is still pending.

Butterfield, Tr. 357; Pleadings in *Butterfield* v. *Hunt,* Ex. 137a; Hunt Deposition, Ex. 149, p. 16, lines 12-15; p. 44, line 15, to p. 45, line 4; p. 61, lines 8-18.

(ii) As to the defendant Marco in this case, both Boyle and Butterfield testified to no dealings whatsoever except for the taking of an oral license from Butterfield by Marco.

Butterfield, Tr. 359-61; Boyle, Tr. 244-6, 249-50; Boyle Deposition, Ex. 101, p. 22, lines 23-26; p. 44, lines 18-22; p. 46, lines 2-23; p. 47, lines 10-13; p. 61, line 14, to p. 62, line 7.

(iii) Concerning both licensees Hunt and Marco, Mason testified that he had had no relations with either of them whatsoever, and neither Hunt nor Boyle, or Marco, gave any evidence concerning any improper relations or activities by Mason, or any improper dealings with Plastic licensees.

Mason, Tr. 500-2, 506; Mason Deposition, p. 23, line 8, to p. 24, line 25, Ex. 102; Boyle, Tr.

248-9, 250, 259; Boyle Deposition, p. 46, lines 2-25, p. 50, line 24, to p. 51, line 22; Ex. 101; Hunt Deposition, p. 43, line 18, to p. 44, line 14, Ex. 149.

(iv) In this litigation against Hunt and Marco, commenced in January, 1963, the case as against Mason was dismissed voluntarily by Plastic in November, 1963, only after Plastic through its attorneys had taken Mason's adverse party deposition.

Mason Deposition, Ex. 102; Mason, Tr. 553.

(v) The depositions of Tiret, Parker, Hunt and Boyle, previously above described, were all taken by Plastic's counsel in the San Francisco litigation of *Plastic v. Hunt and Marco, et al,* after the action was filed. None of these depositions demonstrates any basis whatsoever for the litigation or the charges made. Mason, in this same litigation, filed a motion for summary judgment, because of lack of support for the case, and this was resisted by an affidavit of Plastic's San Francisco counsel, Mr. Hoppe (Ex. 59), clearly showing the lack of any information or evidence upon which to base the charges made. In essence, many of the charges in Plastic's counterclaim in this principal case are centered around charges of improper activities by Butterfield and his attorneys in relationships with Plastic licensees or their attorneys.

52. The lack of any adequate foundation for Plastic's claims which are in effect the same as the charges made in the litigation above described is further demonstrated in Plastic's answers to Plaintiff's Third In-

terrogatories, dealing with Plastic's counterclaim herein (Ex. 7). In these interrogatories, Butterfield's counsel were attempting to compel Plastic to set forth the basis for such charges and, except for the areas previously described, the regions of possible improper contact set forth by Plastic in their answers to these interrogatories appear in the answers to Questions Nos. 3 and 22.

(a) These show that there is litigation between Plastic and W.R.S. Contact Lens Laboratories. Correspondence between Bullivant, one of Butterfield's attorneys Ex. 86 to 86b inclusive, occurred in October, 1963. This occurred after the present action was filed, in an effort by Butterfield's attorneys to ascertain whether or not Plastic was charging in its litigation with W.R.S. that Butterfield conspired with W.R.S. to damage Plastic. Similarly, there was some correspondence between Mason and Bader, the attorney for W.R.S., all occurring between October, 1963, and February, 1964 (Ex. 144), looking toward a possible meeting between Bader and Mason which never took place. All of this occurred long after Plastic had sued Mason for conspiracy in January, 1963, and after the Butterfield case against Plastic was filed in Portland in Federal Court in July, 1963. In view of the contentions made by Butterfield in his pleadings in this case that the charges hurled by Plastic against Mason and Butterfield were groundless, the Court finds nothing wrong in the efforts of Butterfield's attorneys to contact other attorneys litigating with Plastic to determine the nature of the pleadings and proceedings involved.

(b) Defendant's answers to the interrogatories above described infer some improper dealings between Butterfield's attorneys and Dr. Noel Genevay, of New Orleans. The evidence shows that the dealings of Bullivant, attorney for Butterfield, all took place in New Orleans in a personal meeting between Bullivant and Genevay's attorneys in January, 1963, held for the purpose of discussing a possible license between Butterfield and Genevay.

Correspondence, Ex. 96 to 96d, inclusive; Butterfield, Tr. 346.

(c) The Court finds that the correspondence issued by Mr. Breger or by his counsel (attachments to Ex. 59, letter, January 3, 1963, Tabin to Breger, letter January 9, 1963, Breger to Goldberg) pertaining only to Mr. Mason, shows nothing whatsoever improper on Mason's part and that Mason did not have any knowledge of any effort by Breger or his group to solicit funds for counsel fees.

Mason, Tr. 517-37, 555-6.

(d) While Ocular Products, Inc., of New York is mentioned in the answers to these interrogatories as a possible source of improper contact, both Butterfield and Mason have testified that there was no relationship whatsoever in this area, and there is no evidence whatsoever supporting any charge of conspiracy involving this Plastic licensee.

Butterfield, Tr. 345; Mason, Tr. 499.

53. Since the time of the settlement agreement Plas-

tic has improperly asserted as its policy in the trade that the Butterfield Patent is inoperative, highly restricted in scope and lacks utility. It has also asserted an unduly wide scope for its Patent, including correspondence claiming the Tuohy Patent to be of pioneer nature and stating its susceptibility to broad and liberal construction.

Wesley Deposition, pp. 107-111, 112-114, Ex. 12; Opening statement of counsel in this case, Tr. 44-45; Ex. 95, attached letter of July 8, 1963, McClure to Vision Clear.

54. It has further, in correspondence, misrepresented, to a material degree, the nature of the settlement it made with Butterfield. Van Sciver, its attorney, in writing to Biebel, attorney for Univis, a substantial Plastic licensee, after being advised by Biebel in his letter of July 27, 1962, that "Mr. Butterfield continues to press his claim for infringement against Univis . . . ," stated in his reply letter of August 3, 1962, in referring to the settlement, "that Geo. H. Butterfield & Son has acknowledged that the Tuohy Patent is good in law and has been infringed by it." Under the settlement documents, no party acknowledged any infringement of patent except that Plastic agreed that Solex had infringed the Butterfield Patent.

See Ex. 69 for Biebel-Van Sciver letters.

55. The effectiveness of the offers of indemnity by Plastic to its licensees, in December, 1962, in preventing them from dealing with Butterfield for a license, despite their manufacture of Butterfield-type lenses, is

demonstrated by the cases of two Portland and one Vancouver, Washington, manufacturers holding Plastic licenses who were sued by Butterfield for infringement or threatened with suit after Butterfield had proof, through sample lenses, of their making of Butterfield-type lenses. These were the instances of Columbian Bifocal, of Portland, Northwest-Northern and Paramount, of Portland, and Rich-Tint, of Vancouver, Washington.

(a) Butterfield had proof that Rich-Tint and Northwest-Northern, both holding Plastic licenses, were making Butterfield lenses, yet declined to take a license from him.

Butterfield, Tr. 173, 182-3.

(b) Butterfield sued both Northwest-Northern and Rich-Tint in the United States District Court for the District of Oregon before either of these concerns had accepted Plastic's offer of indemnity for claims asserted for infringement of the Butterfield Patent. Each action was settled after appearance by attorneys for each licensee by the entry of a consent judgment and the taking of a Butterfield license.

See Exs. 83a, 83p, as to Northwest-Northern; 87c, 87a, as to Rich-Tint.

(c) A substantially similar result was obtained with respect to Columbian Bifocal as against whom the complaint was prepared but never filed after meetings between the attorneys for Butterfield and Columbian Bifocal. In each of these three instances the evidence shows that the attorneys for each licensee corresponded with the attorneys for Plastic, bitterly complaining of

Plastic's unwillingness to extend indemnity against claims for infringement of the Butterfield Patent and the conclusion is inescapable that, if any of these Plastic licensees had previously obtained an indemnity agreement from Plastic, they would not have settled with Butterfield by taking a Butterfield license, despite their manufacture of Butterfield-type lenses.

Butterfield, Tr. 174, as to Columbian Bifocal dealings; Correspondence concerning Columbian Bifocal, Ex. 94 to 94h inclusive, and Ex. 56 and Ex. 70; Pleadings and correspondence concerning Northwest-Northern and Paramount, Ex. 83 to 83r, inclusive, and Ex. 39a to 39r, inclusive; Pleadings and correspondence concerning Rich-Tint, Ex. 87 to 87b, inclusive, and Ex. 38 to 38b, inclusive.

56. Plastic's offer of indemnity by its circular letter of December 10, 1962, with the accompanying indemnity agreement, was wrongful, done with intent to improperly injure Butterfield in his licensing program and was wrongfully used with the purpose and effect of preventing Butterfield from obtaining additional licensees.

(a) Prior to the actual offer of indemnity to its licensees, Plastic had been approached repeatedly by various of its licensees pointing out variously that they had been solicited by Butterfield, that they could not or would not pay double royalties on Butterfield lenses, or expressing concern on the part of several as to whether they were justified in continuing to deal with Plastic and pay double royalties.

United Optical, Ex. 15a-b; Contact Lens Co. of

America, Ex. 16, a, b; Univis, Ex. 25a-e; Precision Cosmet, Ex. 26a-d; Marvin Nelson, Ex. 82a-b; Erickson Optical, Ex. 19a, b, c; Raycon, Inc., Ex 20a, b, c; Yakima Contact Lens, Ex. 55; Spokane Eye Clinic, Ex. 92B; Global Contact Lens, Ex. 13B, C; Wisconsin Optical Ex. 14a, b, c, d, e; Dist-O-Con, Ex. 21a, b; Cal-Con, Ex. 24a, b, c, d, e; Tanco (Tannehill) Ex. 88a, b, c, d, e f; Bostick Optical Ex. 28; Custom Contacts, Ex. 31.

(b) In its letter of December 10, 1962 (Ex. 54), Plastic, after stating that it had advised its licensees in its letter of October 25, 1962, concerning the circumstances of the settlement, stated that "concern was expressed by a few of our licensees after this notification that they might be exposed to liability under the Butterfield Patent." Obviously, Plastic feared that many of its licensees making Butterfield lenses would not continue to pay royalties on such lenses to Plastic and would protect themselves against infringement liability by taking a Butterfield license. The inference is clear that, in order to head off this revolt and continue to exact royalty and toll on Butterfield-type lenses, Plastic then made its offer of indemnity. The offer could have been made only for the purpose of inviting its licensees to continue to make Butterfield lenses without the payment of royalties to Butterfield and to look to Plastic for indemnity.

(c) The indemnity agreement offered by Plastic fails to condition the offer of indemnity to devices which are made in accordance with the teachings of the Tuohy Patent. This agreement provides in paragraph 2 that

Plastic will indemnify a licensee "against any and all claims for infringement under Butterfield U. S. Patent No. 2,544,246 with respect to devices sold by licensee during the period beginning on the date hereof and ending at such time as this agreement shall be terminated." The agreement in paragraph 1 expressly reaffirms the duty of the licensee "faithfully to report and pay royalties to licensor in accordance with the provisions of paragraphs 2, 3, and 4 of said patent license . . . upon all devices as defined in said patent license, that are sold by licensee during said term." The agreement, moreover, in addition (a), paragraph 2 in measuring the amount of the indemnity, refers to an award of damages to be finally adjudged against the licensee, and provides that Plastic will pay 85% of such award "on devices sold by licensee during the term hereof and on which licensee shall have paid royalties to licensor as provided in paragraph 1 hereof."

Ex. 75.

The quoted material from the indemnity agreement removes all doubt that it was Plastic's intent not only to indemnify against only claims arising under the Butterfield Patent but to continue the claim of a broad royalty base which it sought to enforce on non-Tuohy and non-patentable items under its original license agreement. There is no limitation whatsoever in the indemnity agreement that the protection it affords is limited to devices made under the teachings of the Tuohy Patent. Plastic's offer of indemnity in conjunction with its existing claim of broad royalty base was a clear invitation to all of its licensees to continue to trespass on

Butterfield's rights under his Patent and look solely to Plastic for indemnity.

(d) As a licensee of Butterfield under the Butterfield Patent and because of the consent judgment and settlement in which it again recognized the validity of the Butterfield Patent and agreed that Butterfield might solicit Plastic licensees, Plastic is estopped and precluded from carrying out such indemnity agreements, for reasons more fully hereafter stated in the Conclusions of law. This estoppel, as the Court hereafter determines, is an estoppel to challenge that it has utility and a useful scope as well as an estoppel to aid and assist its licensees in infringing the Butterfield Patent, because of its duty in good faith to carry out the terms of the settlement agreement. Additionally, the Court finds that the use of these indemnity agreements is a breach by Plastic both of its license agreement with Butterfield and of the implied and express terms of the consent judgment, stipulation and settlement agreement.

57. Plastic's application of its royalty base in its license agreement to all types of corneal lens devices, whether Tuohy or not, and whether patentable or not, wrongfully and illegally restrained trade and violated the antitrust laws to the injury and detriment of Butterfield.

(a) There is no evidence whatsoever in the record justifying any claim by Plastic that convenience of accounting is a proper excuse for such a broad royalty basis. Plastic called no licensees and no one from its

own administrative staff to testify to any difficulties which might exist in this area.

(b) The broad royalty base enforced by Plastic, whether justified by its license contract or not, is an illegal effort to extend the legitimate monopoly of Plastic under the Tuohy Patent to large quantities of non-Tuohy devices and the enforcement of this provision necessarily causes Plastic licensees to refuse to deal with Butterfield and others who may have legitimate claims for royalties under their own patents.

(c) Some contention was made at the trial by Plastic that Butterfield himself, in his license agreements, employed a royalty base which was broader than a pure Butterfield-type of lens. Butterfield's license agreements were all placed in evidence as Exhibit 117. The Court finds that these agreements do not support Plastic's contentions in this respect.

(i) These license agreements of Butterfield fall into three categories: Four of them only, Titmus, Utah Optical, Mann Instrument Company and Southern Contact Lens, call for a payment of a royalty based on five per cent of the gross sales of contact lenses by the licensee. These agreements all preceded the settlement of April, 1962, and all of them, with the exception of Mann Instrument Company, became Tuohy licensees, through Butterfield, as a part of the settlement. Therefore, whether or not Tuohy lenses or Butterfield lenses were covered in the royalty base becomes immaterial.

(ii) The next class of Butterfield license agreements is the so-called paid-up license form, and these

are the most numerous, as shown in the last mentioned Exhibit. Butterfield testified, Tr. 284-6, as to the method of computing the paid-up royalty provided for in this type of license. He bases it upon the volume of the prospective licensee in the previous year. The monthly average is ascertained and the monthly number of lenses is multiplied by 37½ cents per lens. This monthly rate is then applied for determining the total royalty for the remainder of the life of the patent. The licensee pays the thus-determined amount for the paid-up license and that amount is paid in equal instalments.

(iii) The third type of Butterfield license agreement is the so-called unitary type which rather clearly, under the forms in Ex. 117, calls for a royalty of 50 cents per lens only on lenses made under the Butterfield Patent.

(iv) Several of the royalty agreements of Butterfield contain express provisions that all unfinished lenses shall be sold by the licensee with a notice on the invoice that the lenses are to be finished only in accordance with the Butterfield Patent. Moreover, the evidence is undisputed that Butterfield used a rubber stamp (Ex. 115) which he provided to all of his licensees with instructions that they use the rubber stamp on their invoices. This rubber stamp contains instructions that the lenses involved are to be finished only in accordance with the Butterfield Patent. Butterfield, as the owner of the Butterfield Patent, had every legal right to authorize his licensees to in effect grant an oral sublicense to their buyers to finish lenses in accordance with the

Butterfield Patent. At least one Butterfield licensee, Con-Cise, uses a printed form on its invoice similar to the text of the rubber stamp.

Butterfield, Tr. 286-8; Butterfield, Tr. 288-9; Ex. 131; Tiret Deposition, Ex. 146, p. 38, lines 2-15; Parker Deposition, Ex. 103, p. 21, line 21, to p. 23, line 17; p. 25, line 24, to p. 26, line 1.

58. The Court, in addition to finding that Butterfield, by the wrongful acts of Plastic herein set forth, has been prevented from acquiring a substantial volume of new business under license agreements, further finds that, because of the same acts of Plastic, various Butterfield licensees have stopped paying royalties to him. This decrease in royalty revenue is reflected in the statement of Butterfield royalty revenue and the list of defaults appear. Typical of the refusals to pay, be cause of the activities of Plastic, are the cases of James Tannehill (see correspondence), and Dr. Conlogue who appeared as a witness. These licensees advised Butterfield that they were not paying either Plastic or Butterfield because they were unwilling to pay double royalties and it is clear in both cases that each licensee was making a Butterfield-type of lens.

Ex. 118; Ex. 74; Exs. 88a to f; Exs. 80 a, b; Butterfield, Tr. 270; Conlogue, Tr. 310-12.

59. The Court finds that the acts of Plastic in seeking to enforce a broad royalty base, in misrepresenting the terms of the settlement with Butterfield, in wrongfully challenging the scope and utility of the Butterfield Patent, in offering indemnity against infringe-

ment of the Butterfield Patent to its licensees and in bringing, maintaining and threatening to prosecute coercive actions against licensees who may deal with Butterfield or negotiate with him are wrongful, in tortious violation of Butterfield's rights, are illegal restraints on trade, violations of Federal antitrust laws against acts in restraint of trade, are unfair competition in that they wrongfully interfere with Butterfield's contractual relations with his licensees and with Butterfield's legitimate business anticipations in his licensing program and are a violation of the implied covenant of good faith in the settlement agreement, settlement stipulation and consent judgment involved in the settlement of the former litigation between the parties.

60. While the Court is unable at this time from the evidence now before it to make a reasonably accurate determination of the damage sustained by Butterfield as a proximate result of the wrongful conduct of Plastic, the Court finds that the damage and injury suffered by Butterfield from such conduct and the damage and injury he will sustain in the future are substantial and irreparable and that the wrongful conduct of Plastic, unless enjoined by appropriate injunction, will continue and will result in further irreparable damage and injury to Butterfield.

Ruling is reserved on the amount of damages sustained by the plaintiff by virtue of the acts of defendant until an accounting is had, as hereinafter directed. Likewise, the Court reserves ruling on the reasonable value of the attorney fees to be allowed to plaintiff.

61. The Butterfield Patent was issued March 6, 1951, and has only about 44 remaining months of the term for which it was granted, and the time and expense which would be required to institute and prosecute infringement actions against the numerous infringers in various jurisdictions would be prohibitive and the delay incident to the maintenance of such actions would result in the expiration of the Butterfield Patent before such actions could be completed. A large majority of the corneal contact lens manufacturers who would be defendants in such actions have limited financial means and for that reason alone many of the actions would quite likely be ineffective insofar as Butterfield obtaining any financial recovery for the infringements would be concerned.

62. The Court has already determined that substantial numbers of corneal contact lenses fitted and sold in the market today embody the principles of the Butterfield invention and are covered by the Butterfield Patent, and the Court expressly finds as untrue the contention of Plastic that the great bulk, if not all, of the successful corneal contact lenses fitted and sold embody the principles of the Tuohy Patent.

63. The Court further finds that the Butterfield Patent has been infringed by many of Plastic's licensees.

64. There is no evidence to support the charge of Plastic that Butterfield has asserted for his Patent a scope far broader than it actually has or that Butterfield has charged many manufacturers with infringe-

ment based on alleged over-broad pretensions as to the scope of his Patent.

65. Plastic did not offer its indemnity agreement in December, 1962, as claimed by Plastic, in a sincere effort to protect its licensees who were not making Butterfield lenses but, as previously found, said indemnity was offered for the purpose of preventing Plastic licensees making Butterfield lenses from dealing with Butterfield.

66. There is no evidence supporting Plastic's charge that Butterfield has repeatedly told Plastic licensees that their lenses did not utilize the Tuohy invention or that they need not pay royalties to Plastic on such lenses or that the royalty base provided in Plastic's license agreements was illegal, and the alleged defaults in Plastic's license agreements have not been brought about by any wrongful conduct on the part of Butterfield.

67. The Court finds as untrue the charge of Plastic that Butterfield, through his attorneys, has been an officious intermeddler in Plastic's suits and actions against its licensees by aiding and abetting such licensees through tendering legal advice or through encouraging them to band together or by providing legal services and talent for such parties.

68. Plastic has failed to establish, prove or justify any of its material allegations or contentions with respect to its counterclaim.

69. While Butterfield is a principal stockholder in Butterfield & Son, there is no evidence that Butterfield & Son is Butterfield's alter ego.

70. There is no evidence showing that Plastic has been damaged or injured in any sum by any act of Butterfield or any of his attorneys.

71. There is no evidence showing that Butterfield has ever asserted or contended for any broader scope of the Butterfield Patent than is described and claimed in and by said Patent.

72. There is no evidence showing that Butterfield has ever used the Butterfield Patent in any manner which violates the anti-trust laws of the United States.

73. The Court has carefully observed the manner and demeanor of the plaintiff and each of his witnesses, while on the witness stand, and, is convinced that plaintiff and each of said witnesses is worthy of belief.

Based on the foregoing Findings of Fact and the proceedings in this cause, the Court makes the following:

CONCLUSIONS OF LAW

I.

Butterfield is not estopped to raise the issues of unfair competition, restraint of trade and violation of the anti-trust laws due to Plastic's enforcement of a broad royalty provision in its license agreements. Neither the interpretation of these license agreements, the validity of the contractual base therein provided or the validity of Plastic's acts in seeking to enforce a broad royalty base were adjudicated, settled or disposed of in the consent judgment and supporting settlement documents.

II.

Butterfield is not estopped to raise issues of unfair

competition, restraint of trade or violation of the anti-trust laws due to Plastic's royalty practice, and such practice and conduct on the part of Plastic represent not only continuing wrongs giving rise to new causes of action but also subsequent misconduct, actions for which are not barred by the prior consent judgment and settlement agreement.

III.

Plastic, as a party to the prior consent judgment and settlement agreement, is estopped to challenge the validity of the Butterfield Patent and the other issues therein expressly concluded by agreement.

IV.

Additionally, the continued use by Plastic of such claim of broad royalty base, in combination with the other wrongs set forth in the Findings of Fact and in these Conclusions of Law, give rise to a new tort or wrong or series of new torts or wrongs in combination so that the same wrong or tort as that which might have been involved at the time of the settlement of the former action is not involved in the present litigation.

V.

Plastic's use of circulars, letters and other means of communication for the dissemination of false or misleading representations as to the operative effects of the Butterfield Patent and the scope and effect of the consent judgment and settlement agreement in the prior action between the parties, in an effort to induce Butterfield licensees and prospective licensees in the corneal contact lens field to discontinue or refuse to enter

into contractual relations with Butterfield, is actionable interference with Butterfield's contractual relations and business interests.

VI.

The institution or threat of institution of groundless and vexatious civil suits against Butterfield, his licensees and potential licensees by Plastic are wrongful and justifiable interferences with business relations and enjoinable acts of unfair competition and, when such suits and threats of suit are considered in relation to other related activities on the part of Plastic, an underlying unlawful scheme to suppress competition is revealed for which Butterfield is entitled to relief even if such suits are not entirely groundless.

VII.

Plastic's indemnity agreement is entirely different from the standard indemnity form used in patent licenses. The indemnity agreement, on the facts in this case, constitutes a wrongful bargain to indemnify another against the consequenses of committing a tortious act, and it is illegal since the performance of the tortious act under the evidence, to-wit: interference in dealings between Butterfield and prospective licensees and infringement of the Butterfield Patent and the offer of indemnity tended to and did bring about such acts.

VIII.

Plastic is estopped to challenge the operative effect or utility of the Butterfield Patent and is likewise estopped to challenge its validity.

IX.

Plastic, as a licensee of the Butterfield Patent, is

estopped to attack its validity and since the utility of the Butterfield invention is an essential requisite to patentability, Plastic cannot challenge the operative effect or utility of the Butterfield Patent.

X.

Plastic cannot use its legitimate patent monopoly as a method of suppressing competition or acquiring a monopoly outside the area of the monopoly which the patent grants or in any way extending the scope of the patent beyond that granted which it does through the exaction of royalties from its licensees on unpatented, unfinished and uncut pieces of material used in the manufacture of corneal contact lenses, as well as upon finished corneal contact lenses made in accordance with the Butterfield Patent.

XI.

Plastic is estopped to assert that the Butterfield lens is covered by any claim of the Tuohy Patent by the rule of patent construction, often referred to as "File Wrapper Estoppel," that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected.

XII.

An interlocutory decree should be entered permanently enjoining and restraining Plastic from:

(a) The dissemination of false claims and information concerning the lack of utility or claimed narrow scope of the Butterfield Patent,

(b) The dissemination of misleading, false, or erroneous information concerning the terms of the settle-

ment of the former action between the parties, including deceptive types of concealment and non-disclosure with respect thereto,

(c) The continued enforcement or use of a royalty base in its license agreements covering devices other than Tuohy-type devices,

(d) The continued use of an indemnity agreement with its licensees offering indemnity against claims for infringement of the Butterfield Patent,

(e) The institution, maintenance, prosecution or continued institution, maintenance or prosecution of actions against Plastic licensees wrongfully and without foundation charging alleged conspiracy with Butterfield or with others and the assertion of damages therefor, including any pending actions described in the Findings of Fact.

XIII.

An accounting should be had to fix the amount of Butterfield's damages growing from the conduct of Plastic as found in this litigation and a judgment entered for thrice the amount of such damages. At the same time the Court should fix the amount of attorney fees to be awarded to plaintiff.

XIV.

Realizing that an appeal may be prosecuted under the provisions of 28 U.S.C. § 1292 (a) (4), from my interlocutory decree, I shall not fix a time for hearing on the issues of damages.

DATED this 1st day of March, 1965.

JOHN F. KILKENNY,
District Judge

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APPENDIX E

SOLEX LABORATORIES, INC., and Plastic Contact Lens Company, an Illinois corporation, Plaintiffs and Counterdefendants,

v.

GEORGE H. BUTTERFIELD, Sr., and Geo. H. Butterfield & Son, a corporation, Defendants and Counterclaimants.

Civ. No. 60-107.
United States District Court
D. Oregon
Sept. 7, 1961.

KILKENNY, District Judge.

Plaintiffs charge that defendant George H. Butterfield, Sr., has infringed on what is commonly known as the Tuohy Patent, dealing with contact lenses for the human eye. The cause is before the Court on said defendants' motion for a temporary injunction restraining plaintiffs from instituting actions in other jurisdictions against licensees of the defendants, in which said licensees are charged with infringement of said patent, and enjoining plaintiffs from notifying members of the trade that corneal contact lenses constructed in accordance with defendant's patent infringe on the patent owned by plaintiffs. In support of the motion the defendants have produced evidence that subsequent to the filing of this cause the plaintiffs commenced two additional actions, one in Virginia and one in Texas, against certain licensees of the defendants, charging infringement of the

Tuohy Patent. At the hearing the defendants produced substantial evidence of the mailing by plaintiffs to members of the ocular trade of a series of threatening letters and circulars which in effect notified said members that the corneal contact lenses constructed in accordance with defendants' patent infringed on the Tuohy Patent. The motion of defendants presents three principal questions:

(1) Should plaintiffs be restrained from circularizing writing, advertising, or in any manner threatening or harassing the members of the ocular trade, or stating or implying to the trade or public that all contact lenses of the corneal variety are an infringement on the Touhy Patent, or

(2) Should plaintiffs be restrained from prosecuting pending actions against licensees of defendants, or

(3) Should plaintiffs be enjoined from prosecuting future actions against licensees of defendants.

[1] 1. Solex was the original party plaintiff in this cause. During the early stages of the proceeding it developed that Plastic had purchased all rights of Solex in the Touhy Patent and was joined as a party plaintiff. This transfer is noteworthy when we recognize that the plaintiffs were recently involved in litigation against each other presenting problems which were practically identical with those here presented. Solex Laboratories, Inc. v. Plastic Contact Lens Co., 7 Cir., 1959, 268 F.2d 637. Also of importance is the fact that Plastic was and is a licensee under the Butterfield patent and has been such a licensee for many years. While the material which

was circulated in the Solex Laboratories, Inc. v. Plastic Contact Lens Co. case was more all-inclusive than the literature used by plaintiffs in this case, it remains as a fact that plaintiffs continued to carry on activities in circularizing the trade quite similar to those condemned by the Court, at the request of Plastic, in Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra. It seems quite clear that the parties should not be permitted to conduct such activities and possibly impair or destroy rights, the exercise of which is the major point in controversy in this litigation. Defendants are entitled to prevail on the first point of the motion.

[2] 2. The second point raises the question of whether the Court should exercise its discretion and enjoin the plaintiffs from further proceeding with the pending actions against licensees of the defendants. Plaintiffs argue that a final judgment in the pending proceedings will have little, if any, effect on those cases now pending before the District Courts of Virginia and Texas. They assert that they have independent causes of action against infringing third parties and that nothing will be accomplished by enjoining these actions. They point to the fact that the parties to the other actions are not the same, nor are they in privity so as to form a basis for the application of the rule of res judicata. On the other hand, defendants urge that the same parties are involved and that privity can be traced through the indemnity agreement with the one defendant licensee and the license agreement with the other.

Shortly after the adoption of the F.R.C.P., the Third

Circuit in Crosley Corporation v. Hazeltine Corporation, 1941, 122 F.2d 925, cert. den. 315 U.S. 813, 62 S. Ct. 798, 86 L. Ed. 1211, adopted a rule which seemed to be both rigid and absolute to the effect that the Court first obtaining jurisdiction over an issue and the parties should enjoin, during the pendency of that action, subsequent litigation in other jurisdictions. The decision in Crosley was deflated, if not completely rejected, in Kerotest Mfg. Co. v. C-O-Two-Fire Equipment Co., 342 U.S. 180, 72 S. Ct. 219, 96 L. Ed. 200, in which the Supreme Court held that wise judicial administration required that the issuance of a restraining order, under such circumstances, should be lodged in the sound discretion of the trial court.

A number of cases, including Joseph Bancroft & Sons Co. v. Spunize Co. of America, 2 Cir., 1959, 268 F.2d 522; Minnesota Mining & Mfg. Co. v. Polychrome Corp., 7 Cir., 1959, 267 F.2d 772, recognized the discretionary rule as announced in Kerotest, but continued to apply the strict, rigid and mechanical approach, i.e., same issues and same parties, which was used in Crosley. In my opinion, a hard and fast application of the doctrine of the same parties and same issues test entirely overlooks the possible application of the doctrine of a collateral estoppel hereafter mentioned. On the question of "privity," it would seem that the indemnity agreement would supply the link. Weyerhaeuser Timber Co. v. Bostitch, Inc., D.C.R.I. 1959, 178 F. Supp. 757. While this case involves a motion for a stay, rather than for an injunction which would interfere with the rights of a Court of equal dignity in another Circuit, the prin-

ciple announced would seem to be valid when applied to the injunction proceedings. Bechik Products v. Flexible Products, 2 Cir., 1955, 225 F.2d 603, 607. To apply the doctrine of res judicata, it is necessary that the subsequent determination involve the same parties or their privies. In Kessler v. Eldred, 206 U.S. 285, 27 S.Ct. 611, 51 L.Ed. 1065, it was held that a manufacturer, if he prevailed in an infringement suit brought against him by the patentee, could prevent the impairment of his rights under the judgment by enjoining the patentee from prosecuting suits against his customer. The scope of the decision in Kessler was enlarged in General Chemical Co. v. Standard Wholesale Phosphate & Acid Works, Inc., 4 Cir., 1939, 101 F.2d 178, to permit customers of the manufacturer to assert a defense of collateral estoppel based on a previous judgment in the manufacturer's favor. General Chemical recognized that a customer was not estopped to relitigate the issues decided in favor of the patentee against the manufacturer, but concluded that the patentee should be prevented from again raising the issue on the ground that he already had his day in Court. It is significant that General Chemical would, in the event the Tuohy Patent was declared invalid in this proceeding, prevent plaintiffs from again litigating this question with the licensees in Texas or Virginia, and this is true even though the licensees are not parties in the present litigation. Bechik Products v. Flexible Products, supra, is in full support of General Chemical. In Bechik the Court held that a decree on the merits holding invalid a patent such as plaintiff's claim in this case, would be binding on plaintiffs in subsequent actions

against persons such as the licensee defendants in Texas and Virginia. Plaintiffs call attention to the fact that the validity of the Tuohy Patent has been upheld in two cases, Pacific Contact Laboratories, Inc. v. Solex Laboratories, Inc., 9 Cir., 1953, 209 F.2d 529, and Solex Laboratories, Inc. v. Graham, D.C. S.D. Cal. 1958, 165 F. Supp. 428. In the light of these cases and under ordinary circumstances, I would be inclined to say there was little probability of the Court finding the Tuohy Patent invalid and declare that those decisions, while not conclusive, were entitled to great weight. Georgia-Pacific Corporation v. U. S. Plywood Corporation, 2 Cir., 1958, 258 F.2d 124, cert. den. 358 U.S. 884, 79 S. Ct. 124, 3 L. Ed. 2d 112; Cold Metal Process Co. v. Republic Steel Corporation, 6 Cir., 1956, 233 F.2d 828, cert. den. 352 U.S. 891, 77 S. Ct. 128, 1 L. Ed. 2d 86, reh. den. 352 U.S. 955, 77 S. Ct. 323, 1 L. Ed. 2d 245. However, in none of those cases did the owner of the patent adopt an entirely inconsistent position such as Plastic has here adopted. Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra. I have arrived at no conclusion as to the weight, if any, to be given to the actions of Plastic, nor the weight to be given to the decisions upholding the Tuohy Patent, under the peculiar facts and circumstances of this case. However, I have concluded that in the exercise of a sound legal discretion, I should allow defendants' motion. I feel that this motion can be granted without substantial impairment of plaintiffs' rights under the patent law and that such an injunction would probably prevent needless litigation. American Chemical Paint Co. v. Thompson Chemical Corp., 9 Cir., 1957, 244 F.2d 64.

3. The third point raises essentially the same questions of law as raised by point No. 2. Further discussion is not required. Irreparable injury may result to defendants.

This opinion shall stand as my findings. An appropriate decree patterned after the suggestions in Solex Laboratories, Inc. v. Plastic Contact Lens Co., supra, may be prepared, served and presented by counsel for defendants. I fix the amount of defendants' bond at $15,000.00.